S. HRG. 98-113

GOLD AND SILVER COINAGE PROPOSALS

HEARING

BEFORE THE

COMMITTEE ON BANKING, HOUSING, AND URBAN AFFAIRS UNITED STATES SENATE

NINETY-EIGHTH CONGRESS

FIRST SESSION

ON

S. 42

TO PROVIDE FOR THE MINTING OF AMERICAN GOLD EAGLE COINS PURSUANT TO ARTICLE 1, SECTION 8 OF THE UNITED STATES CONSTITUTION

AND

S. 269

TO PROVIDE FOR THE DISPOSAL OF SILVER FROM THE NATIONAL DEFENSE STOCKPILE THROUGH THE ISSUANCE OF SILVER COINS

APRIL 15, 1983

Printed for the use of the Committee on Banking, Housing, and Urban Affairs

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GOLD AND SILVER COINAGE PROPOSALS

FRIDAY, APRIL 15, 1983

U.S. Senate,
Committee on Banking, Housing, and Urban Affairs,
Washington, D.C.

The committee met, at 9:30 a.m., in room SD 538, Dirksen Senate Office Building, Senator Jake Garn (chairman of the committee) presiding.

Present: Senators Garn, Hecht, and Gorton.

OPENING STATEMENT OF CHAIRMAN GARN

The Chairman. The Banking Committee will come to order.

This morning the committee meets to hear testimony on two bills which propose to mint gold and silver coins. S. 42, the American Eagle Gold Coin Act, is patterned upon a recommendation of the Gold Commission. The Gold Commission was established early in 1981 to study the role of gold in domestic and international monetary systems. The Commission's report, delivered to the Congress on March 31, 1982, recommended that: "Treasury issue gold bullion coins of specified weights, without dollar denomination or legal tender status, to be manufactured from its existing stock of gold and to be sold at a small markup over the market value of the gold content." The Commission also recommended that the coins be exempt from capital gains taxes and that the coins be exempt from sales taxes.

In accordance with the Gold Commission's recommendation, S. 42 would require the Secretary of the Treasury to mint one ounce and one-half ounce gold bullion coins. The coins would not have legal tender status. They would sell for a price calculated to cover production and distribution expenses and the value of the bullion.

The committee will also hear testimony today on S. 269. This bill would authorize the Secretary of the Treasury to reissue Morgan silver dollars, and also silver bullion coins, utilizing silver now maintained in the national defense stockpile. Sales of the stockpiled silver pursuant to auctions conducted by the General Services Administration have been halted. The General Accounting Office has strongly recommended that alternative methods of disposing the silver be explored. In particular, a GAO report issued in January 1982 suggested that "a bullion coinage program appears to be an attractive alternative that should be considered." That report also cautioned that a successful silver coinage program was contingent on public demand.

[Copies of Senate bills being considered follow:]

II

98TH CONGRESS
1ST SESSION

S. 42

To provide for the minting of American Gold Eagle coins pursuant to article 1, section 8 of the United States Constitution.

IN THE SENATE OF THE UNITED STATES

JANUARY 26 (legislative day, JANUARY 25), 1983

Mr. HELMS introduced the following bill; which was read twice and referred to the Committee on Banking, Housing, and Urban Affairs

---

A BILL

To provide for the minting of American Gold Eagle coins pursuant to article 1, section 8 of the United States Constitution.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SHORT TITLE

SEC. 401. This title may be cited as the "American Gold Eagle Coin Act of 1983".

AUTHORIZATION FOR MINTING

SEC. 402. (a) The Secretary of the Treasury shall mint gold coins which shall be referred to as "American Gold Eagles", and which shall be minted as provided in this Act in accordance with the following specifications:

(1) an "Eagle", having a gold content of one fine troy ounce and a diameter of 1.28 inches; and

(2) a "Half Eagle", having a gold content of one-half fine troy ounce and a diameter of 1.06 inches.

(b) Coins minted under this title shall be of a fineness of 900 parts per 1,000 of pure gold and 100 parts per 1,000 of alloy. Coins shall not be struck from ingots which deviate from the standard contained in this subsection by more than one part per thousand.

(c) Coins minted under this Act shall have—

(1) on the obverse side, a symbolic figure of Liberty such as the design of the 1908 twenty dollar coin, together with inscriptions specifying the gold content and the year of minting;

(2) on the reverse side, the obverse of the Great Seal of the United States (the heraldic eagle); and

(3) reeded edges.

(d) Except as provided in subsection (f), the Secretary of the Treasury may mint the American Gold Eagle coins authorized by this title in the weights and sizes set forth in subsection (a) of this section, in such quantities as he determines to be necessary to meet public demand.

(e) During the first year in which such coins are struck, at least five hundred thousand troy ounces of fine gold shall be struck in each weight of coins authorized by this title.

(f) No more than ten million ounces of the gold held by the United States Treasury on the date of enactment of this title shall be minted in American Gold Eagle coins.

(g) Notwithstanding section 102 of the Coinage Act of 1965 (31 U.S.C. 392), coins minted under this title shall not be legal tender for public debts, public charges, taxes, duties, or dues. Nothing in this subsection shall prevent the use of such coins or coins of like weight for the payment of private debts.

DELIVERY AND MARKETING

SEC. 403. (a) Coins minted under the authority of this title shall be delivered to banks and other institutions and retailers for distribution and sale to the public, pursuant to rules and regulations promulgated by the Secretary of the Treasury.

(b) The Secretary of the Treasury shall begin delivery of the American Gold Eagle coins authorized by this title not later than July 1, 1984.

PRICE

SEC. 404. (a) Coins authorized by this title shall be sold to the public in accordance with section 403 of this title, at a price to be determined daily by means of a formula published by the Secretary of the Treasury. That formula shall take into account the relative weight of gold in the coins, the price of gold bullion sold on registered commodity exchanges in the

United States at 4 o'clock post meridian on the previous business day, plus an amount determined by the Secretary to pay for the minting, delivering, and distribution expenses of the coins, and all other related expenses.

(b) No seigniorage in excess of the gold bullion value shall be charged except the Secretary of the Treasury shall adjust the premium charge in excess of the bullion value of the coins to cover only the expenses for production of such coins.

EXCHANGE OF BULLION FOR COINS

SEC. 405. (a) Any owner of gold bullion or foreign gold coins may deposit such gold in any mint of the United States designated by the Secretary for such purpose and receive in exchange for its relative weight of gold content an equal weight of gold in American Gold Eagle coins, less an amount to be determined by the Secretary of the Treasury to be equal to the charge established pursuant to section 404(a) and any other related expenses.

(b) All gold bullion deposited in any United States mint pursuant to subsection (a) of this section shall be available for the minting of American Eagle coins.

REGULATIONS

SEC. 406. The Secretary shall prescribe such regulations as may be necessary to carry out this title, including regulations specifying charges for assay and other related expenses, and to facilitate the establishment of a secondary market in coins minted under this title.

TAXATION

SEC. 407. (a) Any gain or loss derived from the sale, exchange, or other disposition of any coin authorized by this title shall not be recognized as income or a capital gain or loss under any Federal, State, or local income tax.

(b) Any purchase or sale of any such coin shall be exempt from any Federal, State, or local sales, personal property, or excise tax.

(c) Subsections (a) and (b) shall also apply to Federal Reserve notes and United States notes.

98th CONGRESS
1st Session

S. 269

To provide for the disposal of silver from the National Defense Stockpile through the issuance of silver coins.

IN THE SENATE OF THE UNITED STATES

January 27 (legislative day, January 25), 1983

Mr. McClure (for himself and Mr. Symms) introduced the following bill; which was read twice and referred to the Committee on Banking, Housing, and Urban Affairs

---

A BILL

To provide for the disposal of silver from the National Defense Stockpile through the issuance of silver coins.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

Section 1. (a) The Secretary of the Treasury (hereinafter referred to as the "Secretary") shall mint and issue coins of the United States under this Act in two series in such quantities as are necessary to meet public demand.

(b)(1) One series shall have a face value of one dollar; bear the same design as the "Morgan" silver dollar; be inscribed with the year of minting; have reeded edges; contain 0.7734 troy ounces of 0.900 fine silver; weigh 26.73 grams;

be composed of 900 parts per thousand of silver and 100 parts per thousand of copper; and have a diameter of 1.5 inches. These coins shall have the inscriptions of the words "Liberty", "In God We Trust", "United States of America", "E Pluribus Unum" "One Dollar".

(2) The second series shall bear a silver liberty design selected by the Secretary; be inscribed with the year of minting; have reeded edges; contain one troy ounce of 0.999 fine silver; weigh 31.103 grams; and have a diameter of 1.6 inches. These coins shall have the inscriptions of the words "Liberty", "In God We Trust", "United States of America", "E Pluribus Unum", and "Contains One Troy Ounce".

SEC. 2. (a)(1) The coins minted pursuant to section 1(b)(1) of this Act shall be sold by the Secretary directly to the public, and to numismatic coin dealers and retailers for resale to the public, in accordance with such regulations as the Secretary may prescribe, at prices determined by the Secretary, which shall not be less than the fair market value of the silver content of the coins on the day prior to the sale, as determined by the Secretary, plus the costs of minting, distributing, promoting, and marketing the coins. The Secretary shall make bulk sales of the coins to numismatic coin dealers and retailers at prices which reflect the lower costs of such sales.

(2) The Secretary shall mint proof and uncirculated coins of the series authorized in section 1(b)(1) of this Act. Proof coins shall be sold at a price not less than 75 per centum above the price otherwise determined under this Act. Uncirculated coins shall be sold at a price not less than 50 per centum above the price otherwise determined under this Act.

(3) The Secretary shall define the terms "numismatic coin dealers and retailers" in a manner consistent with the ordinary practices of the numismatic coin trade.

(4) The Secretary shall make reasonable and appropriate efforts to promote the retail sale of the coins.

(b)(1) The coins minted pursuant to section 1(b)(2) of this Act shall be sold in bulk on a negotiated basis by the Secretary to primary dealers in bullion coins, in accordance with such regulations as the Secretary may prescribe, at prices determined by the Secretary, which shall not be less than the fair market value of the silver content of the coins on the day prior to the sale, as determined by the Secretary,. plus the costs of minting, distributing, promoting, and marketing the coins. In no event shall the portion of the price attributable to the costs of minting, distributing, promoting, and marketing the coins exceed 10 per centum of the fair market value of coin's silver content.

(2) The Secretary shall define the term "primary dealer in bullion coins" in a manner consistent with the ordinary practices of the precious metals trade. At a minimum, this definition should require that a primary dealer in bullion coins have the financial resources and expertise necessary both to, establish effective distribution systems and to make a viable two-way market for the coin.

(3) The Secretary shall package the coins minted pursuant to section 1(b)(2) for bulk sales in tubes containing not less than 25, but no more than 100, coins. The Secretary shall make reasonable and appropriate efforts to promote the retail sale of the coins.

SEC. 3. The net proceeds of the sales of coins minted pursuant to this Act shall be deposited in the National Defense Stockpile transaction fund, after deducting the costs incurred by the Secretary in minting, distributing, promoting, and marketing the coins. That portion of the proceeds representing the costs incurred of minting, distributing, promoting, and marketing the coins shall be credited to the mint appropriations fund.

SEC. 4. The aggregate amount of silver utilized to mint coins pursuant to this Act shall be provided from the silver in the National Defense Stockpile by the Administrator of General Services and shall not exceed 105,000,000 troy ounces of which 15,000,000 shall be available for coins minted under section 1(b)(1) and the remainder shall be available for coins minted under section 1(b)(2). Disposals of silver from the National Defense Stockpile shall be conducted in accordance with the provisions of this Act during calendar years 1984, 1985, and 1986.

SEC. 5. This Act is effective the day after enactment.

The CHAIRMAN. I am particularly pleased that Senator Helms, Senator McClure and Congressman Ron Paul will be here at these hearings today. Congressman Paul was a member of the Gold Commission and I look forward to hearing him discuss the genesis of the idea for the gold coin. I might note that several other members of the Gold Commission were invited to testify, but unfortunately were unable to come today. However, Gold Commission member Arthur Costamagna has submitted a statement, and the Federal Reserve Board, three of whose members sat on the Gold Commission, will submit a statement. This testimony, along with the information provided by our other distinguished witnesses today, should enable us to determine how to proceed with these proposals to mint gold and silver coins.

Senator Helms is the first witness and is not here yet. I suppose my colleagues who do not serve on the Banking Committee are used to the rest of the committees and are not aware that the Banking Committee always starts on time, whether the witnesses or the Senators or anybody else are here. I sometimes feel badly that for 2½ years I have trapped myself into that position. Nevertheless, I have served 8 years in the Senate, often sitting around cooling my heels waiting in other committees and observing the incredible waste of time that goes on when Senators do not show up—and I recognize, being one, that we have conflicts in schedules—but a good part of the time it's simply because they're Senators and they don't think they have to be where they are, that people will wait for them. Well, the Banking Committee does not wait and so we did start on time and while we're waiting for the first witness, Senator Hecht, do you have any comments that you wish to make?

Senator HECHT. Having been a businessman for 35 years, I echo your sentiments and I thank you for starting on time.

As far as the gold coin, I'm very happy to see this come up and I will wait for the witnesses.

The CHAIRMAN. Congressman Paul, I see you're here. Why don't you come up and if you would not mind go ahead and when Senator Helms comes maybe we could the give him the courtesy of starting and make sure in the record your testimony is not disjointed.

We're very happy to have you here today and to hear your testimony.

STATEMENT OF RON PAUL, U.S. REPRESENTATIVE IN CONGRESS FROM THE STATE OF TEXAS

Congressman PAUL. Thank you very much, Senator Garn. I'm delighted to come over and testify before your committee and let me express my deep appreciation that you are holding these hearings.

As you know, I've had a deep interest both in the coinage of silver and gold for quite a few different reasons, and I'm just very delighted to see the progress that we're making. I think these hearings have great significance. I get the feeling from talking with a lot of Members of Congress, and talking to a lot of constituents and the mail that I get, I think there's a consensus building for the passage of a bill of this sort.

I am submitting some testimony here. I would just ask that it be recorded as given and then summarize my views very briefly and see if there are any questions.

The CHAIRMAN. We'll certainly be happy to print your full statement in the record.

Congressman PAUL. Thank you.

GOLD STANDARD

As you said, I am a cosponsor of a bill similar to this in the House of Representatives and I also served as a Gold Commission member. This, as you stated in your opening statement, is a recommendation essentially of the Gold Commission. Even though the Gold Commission did not come down on the side of recommending implementation of a gold standard at this particular time, it was a very positive vote for the gold coinage. There were, I believe only two dissenting votes when we actually voted for a coin, even among a group that was very diverse.

We had really three types of monetary policies represented on the Gold Commission. We had three that were very interested in the gold standard. We had several monetarists and the rest more or less endorsed the policies that we have today of discretion. Yet when it came to a vote on a coin we had really overwhelming support for the coin, and this I think probably reflects the general consensus of the Nation today.

Even though I feel strongly about working toward a gold standard, and I think that some day we're going to have it, I don't think that we in the Congress and the Federal Reserve System and the people are quite in the position to accept that yet. But I think that the Gold Commission represents the people pretty well as far as the gold coinage goes and it is very popular because a lot of American people are buying gold coins today.

On page 3 of my testimony I have some statistics there to show how they are buying gold coins and they buy them in rather large numbers. In the past 5 years it has averaged over 3 million ounces per year. After the Canadian coins and the Mexican coins came out we see that the number of South African coins went down. I'm quite sure that this is going to continue—actually increase over the next several years—and that there are a lot of people who will buy coins who would like to buy an American coin. I think for sentimental and patriotic reasons it's just popular.

Some people ask, well, why do they put so much value and concern and interest in gold; well, I'm not sure I can explain that. All I can say is that for over 6,000 years of recorded history we have had something very intriguing about gold and people like coins. They always have and they probably always will. For this reason I think it's essential that we are in the marketplace, that we have an American coin, that we don't have to buy South African coins.

There's a lot of hostility right now among some of our more liberal Members of Congress who would like to do different things to South Africa for their own personal reasons. I think that this proposal is attractive to them as well because we literally will outcompete the South African gold coin market if we have an American gold coin, and I think that this would be a tremendous symbolic achievement.

I think it's important to realize that even though some of us who are strong advocates of the gold coin are also advocates of the gold standard, this is not a gold standard. We know that. The coin does not have legal tender status. This is possibly a step some day where there's competing currencies, possibly some day setting the foundation for a gold standard, but there's no doubt this is not a gold standard.

GOLD COINS NONPRODUCTIVE

Some have complained that—and this was brought up in the Gold Commission—that the gold coin is bad because it would encourage the American people to put money into something nonproductive; they ought to be buying Chrysler stock instead of gold coins. I think that argument falls flat because there's a lot of things we spend our money on which can be construed as nonproductive, but it happens that there's nothing nonproductive about buying a gold coin.

Somebody has to produce it. There's a miner who gets a job, a businessman who sells it. There's profit to be made and it's probably less consumption and less waste than if somebody bought a bottle of wine and drank it, for that matter. I think that where there are profits to be made, there are benefits to consumers. There are still foreign gold coins to be sold and traded and so I find nothing wrong with people buying U.S. gold coins. Besides, it satisfies their special requirements, that is, their special interests and their special tastes, if that's what they want. This can be understood as very similar to anybody buying jewelry or something along those lines.

I've listed in my testimony in detail all the arguments of those individuals on the Gold Commission who disagreed with the coin, the two members who disagreed. I've gone through and listed and explained how we have really taken their concerns into consideration and their arguments really don't present obstacles to this legislation. That's there and I won't go over that in detail.

I think it's a practical bill. I hope that it can be passed. I think it serves several functions. Not only does it satisfy this popular demand, but it's also a source of income to the Government. This is not going to cost the Government money because they're going to sell the gold at market plus a markup on it. So this is one Government program that we don't have to talk about large appropriations. It's a source of revenue to the Government.

Some have emphasized the importance of the balance of payments. Instead of sending a billion dollars overseas to buy coins, that billion dollars stays right here and this is a benefit to our balance of payments.

Some claim that this proposal, even in spite of its long distance from a gold standard, has a monetary impact and that if coins become a lot more popular, which I predict they will, the price of gold will reflect an attitude about the Fed. If the Fed is really getting off on tangents, with money supply going up quickly, we're back into an inflationary period. It would be reflected in coin sales and the Fed would know this. Even though they don't tie the money to gold in any way, they don't ignore what's happening with gold. I think if there are a lot more individuals in the marketplace with gold coins, this will be sending messages to the Fed. So it does in a very indirect and subtle way have an effect on what the Federal Reserve is doing.

Some day I think, if necessary, if we allow this coin to exist and circulate and not be taxed and be allowed to be used in payment of contracts, it literally can be sitting there in case we need a competing currency. Some would say that could be rather chaotic, but it did happen during the Civil War period and it was not chaotic. We seem to have a very chaotic situation internationally with our currency today, but it adapts on an hourly basis, so it's not an impossible thing. As a monetary restraint against an inflationary tendency in the country, I think this would be a great benefit.

In the long run, I happen to believe that the more we use the gold, the better, because some day we'll have a sound, honest monetary standard again. This is part of the conditioning process.

DENIED THE RIGHT TO OWN GOLD

Prior to 1974, for some outrageous reasons, the American people were denied the right to own gold. Yet today a lot of them own gold. A lot of them draw up gold contracts. The gold medallion program, which has been greatly improved this past week, is in place, so I see a lot of positive things in spite of so many negative things happening with congressional budgets and deficits and monetary policy. So I do believe we're building a foundation that's going to be very necessary some day to serve us well in the monetary system.

A lot of people claim that gold shouldn't even be talked about. Gold can't be accepted because it's so unstable. You see gold priced at $850 and then it goes down to $400 so, therefore, the price of gold is so unstable that you can't use it. On the last page of the testimony I have a chart showing that if you determined the value of currency in terms of gold, it's the currencies that are fluctuating. In the old days, up until 1973, we always talked about the devaluation of the dollar in terms of gold, not the price of gold going up in terms of dollars. So I see that gold can and will serve us well as an international measure of currency values.

If we, heaven forbid, ever have an emergency or a crisis of a war nature in this country, the electronic system could break down and I believe that the more silver coins and gold coins exist in the hands of the American people, the more likely it is that we will have a backup monetary system for national security.

For various reasons that I have just outlined, I think that this proposal is a reasonable proposal, one that will draw support from both liberals and conservatives, one that meets the popular demand among the American people, and I compliment you again and hope that you will do whatever is possible to see that this legislation is passed. Thank you.

AMERICAN GOLD EAGLE COIN ACT NOT LEGAL TENDER

The CHAIRMAN. Thank you, Congressman. We appreciate all of your work on this issue.

I just have one question. One of the provisions of the American Gold Eagle Coin Act declares that coins shall not be legal tender, as we both have discussed, for public debts, public charges, taxes, duties, or dues. Then it also states that "nothing shall prevent the use of the coin or coins of like weight for the payment of private debts."

Could you explain to us what is an apparent disparity?

Congressman PAUL. Yes. We do not want to compel anybody to use gold coins. We don't want to compel you to accept them in payment if you haven't previously agreed to it in a private contract. So you and I could draw up a private contract and I claim I will pay you in 1 year 10 ounces of gold. I should pay you in 10 ounces of gold and not in terms of the dollar value of gold 1 year previously. So long as it's guaranteed in a private contract: This is a privilege of the constitutional guarantees of a private contract. Yet we do not want the coin to serve as legal tender in payment of taxes to the Government. For instance, if you incurred a tax liability at $850 and gold goes to $400, we're not going to allow you to pay the taxes with gold, which in terms of dollars had less value.

The CHAIRMAN. It sounds like a good deal to me.

Congressman PAUL. Yes, on a day like this, we might get a few people to accept it, but we put a lot of thought into that and tried to come up with the best solution. I don't believe, and the Commission did not accept the notion, that it should have legal tender status. There are some who push for that. The numismatic individuals would like to see it have legal tender status, but I'm not quite sure we're ready to insist that it be used as legal tender. But we would be delighted to see if two individuals drew up a private contract stipulating that the gold eagle coins could be used as a payment of debt the person would be obligated to pay in what he agreed to pay.

The CHAIRMAN. Well, thank you. We appreciate your testimony and again your work on this issue. You have put a great deal of time and effort into it. Thank you very much for taking the time to come this morning.

Congressman PAUL. Thank you.
[The complete statement follows:]

RON PAUL
22ND DISTRICT, TEXAS

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STATEMENT OF HON. RON PAUL

before the

UNITED STATES SENATE
COMMITTEE ON BANKING, HOUSING, AND URBAN AFFAIRS

April 15, 1983

Mr. Chairman, thank you for inviting me to appear today before this Committee to present my views on the proposed gold and silver coinage bills. As you know, I am the sponsor in the House of Representatives of H.R. 1663, the companion bill to S. 42, the "American Gold Eagle Coin Act of 1983" introduced by Mr. Helms. I am also a co-sponsor of H.R. 2473, the companion bill to S. 269, to provide for the disposal of silver from the National Defense Stockpile through the issuance of silver coins, introduced by Mr. McClure.

I am proud to have served as a member of the Gold Commission last year, along with other Members of the House and Senate, Governors of the Federal Reserve, the President's Council of Economic Advisors, representatives from the public, and the Secretary of the Treasury. The Gold Commission represented a broad spectrum of views on the proper conduct of monetary and fiscal affairs, as you can see by the lengthy dissenting footnotes throughout the document published by our Commission.

At the first meeting of the Gold Commission, I believe Lewis Lehrman and I were the only advocates of the classical model of a gold standard, in which the national currency of the United States would be defined as a specific weight of gold, and the banking system would be obligated by law to make payments upon demand in coin.

At the second meeting of the Gold Commission -- the first public meeting -- an idea seemed spontaneously to occur to several members at the same time: Why not have a new United States gold coinage with the denominations in terms of "Troy Ounces" instead of fixing a weight of gold as the definition of "one dollar." There are several things in particular that recommend this idea, and I will discuss them in turn. Different members of the Gold Commission supported this idea for very different reasons: some of us wanted to have such a gold coin as an easy way to kill the idea of a classical gold standard; I view the issue of such gold coins as the beginning of an evolutionary process that will sooner or later produce a new international gold standard.

The most important thing to be said about the idea of a bullion-weight coinage, however, is that the American public will accept it or reject it, use it or ignore it, according to the classic process of the free market. It is not necessary to have a political struggle over such an important issue if we can settle it in a peaceful, free-market way and let the principle of "freedom of choice" resolve things.

Advocates of the two other schools of monetary economics -- (1) who believe we must always have flexibility and leave questions of policy to the wise bureaucrats, behind closed doors, who decide about it; or (2) who believe a pre-determined rule for monetary policy should be followed by the unwise bureaucrats, to prevent erratic errors -- cannot offer us any solution to this conflict. Their conflicting proposals cannot be set up in the marketplace and tested. For all the vaunted virtues of the proposals for monetary policy, there is no way except a costly risk of economic error to test the ideas of academicians.

This is exactly the virtue of the Gold Commission's recommendation for an "American Gold Eagle" coinage. It may or may not have an impact on the conduct of monetary policy. If the public buys few of them, and holds them strictly as bullion investments, there will be no impact on monetary policy and the critics of gold will have won a round in the free-market testing process. On the other hand, if the public buys a large number of these gold coins, and if Federal Reserve monetary policy becomes increasingly erratic, people will begin to refer to troy ounces of gold in quoting prices, particularly in the long-term capital markets. This is what I believe will happen, and if it does, the advocates of a remonitization of gold will have won a round.

Developments in macroeconomic theory in the past fifteen years have cast a lot of doubt on what the professors of economics actually know and "what they know which just ain't so." I believe that most of what passes for wisdom in monetary economics today is econometric nonsense, and the fact that the "demonetization of gold" in 1978 by the I.M.F. and the floating of the dollar in 1971 ("closing the gold window") has not done anything except stimulate Americans to buy more and more gold is my evidence.

Sales of Foreign Coins in the U.S. Domestic Market

Based on the revealed preference of the American public in the purchase of gold coins since it was made legal in 1975 to own gold, it is imperative that Congress move forward with a program of supplying this demand from official monetary sources.

Secretary of the Treasury Donald T. Regan stated, at a press conference held on April 12, announcing the implementation of the first of two recommendations that the Gold Commission overwhelming supported:

"This new program offers an improved mechanism for satisfying United States public demand for gold in a way that strengthens our international trade position. In addition, the sale of gold from our reserves will generate cash for the United States Treasury."

FOREIGN GOLD COIN SALES IN THE UNITED STATES

(Thousand troy ounces/Million dollars)

Origin	1976	1977	1978	1979	1980	1981	1982
So.Africa	648	1,145	3,201	1,770	1,566	777	910
Canada	253	98	15	297	822	763	676
Mexico	141	156	233	351	297	817	1,018
Others	290	215	287	372	753	369	279
Total	1,332	1,614	3,736	2,790	3,438	2,726	2,883
Gold Price (av. $/oz.)	$125	$148	$193	$307	$613	$460	$375
Revenues	$167m	$239m	$721m	$857m	$2,107m	$1,254m	$1,081m

Sources: U.S.Census Bureau; J.Aron Research Dept.

Many members of both the House and Senate have proposed in recent years that sales of South African gold coins be restricted by law, because they do not approve of apartheid and Krugerrand sales clearly help the economy of South Africa. I would hope that these colleagues would join in support of the Gold Commission recommendations. It would be a gross violation of the liberties of United States citizens to forbid them to buy the gold coins they are demanding -- and it would make the price of gold coins higher, benefitting the gold producers rather than the American consumers. Testimony before my own Subcommittee on Consumer Affairs and Coinage, House Committee on Banking, last year indicates that the United States gold coin could take 75 percent of the domestic market.

The idea of an "American Gold Eagle" coinage is neither a liberal nor a conservative issue, because both liberals and conservatives have good reasons -- different reasons -- to support it. The idea of a new American gold coinage is enormously popular. Moreover, what the Gold Commission has recommended cannot be opposed by arguments against "the gold standard" because those arguments apply only to a monetary arrangement in which a banking system is required by law to pay out coin in fixed ratio for units of a nation's currency. The proposed coinage is neither a legal tender for public debts, taxes, etc. nor does it carry a fixed price. Every argument I have ever heard against "the gold standard" is irrelevant to the current proposal for a bullion-weight coinage, and most important of all, the public doesn't seem to care about all the academic arguments against gold coins. They just buy and hold (use) them.

Some members of Congress have characterized the purchase of gold by Americans as investment in "non-productive" assets. This is silly, because the purchases of gold coins clearly produce something for the buyers -- a hedge against irresponsible monetary policy! Moreover, the money that is spent immediately becomes available for re-use by the coin dealer, or his banker, or by the foreign supplier of coins. This idea that the sale or purchase of gold coins by Americans is non-productive can only make sense if you look upon "foreign gold" as something special. The same people who want to discriminate against gold coins from South Africa ought to regard American Gold Eagle coins as a benefit, because the buyers would be like "voluntary tax payers," giving the Treasury money to reduce the deficit in exchange for something the Treasury has no use for at all!

Answers to Gold Commission Dissenters

The members of the Gold Commission voted 15 to 2 in favor of the two recommendations that concern these hearings today. First, let me quote the Gold Commission recommendations:

> 1. The Gold Commission supports the improvement of the program of medallion sales along the general lines that the Treasury plans. (p.5)
>
> 2. We favor Treasury issue of gold bullion coins of specified weights, and without dollar denomination or legal tender status, to be manufactured from its existing stock of gold and to be sold at a small mark-up over the market value of the gold content, and recommend that the Congress implement this proposal. Furthermore, we recommend that the coins shall be exempt from capital gains taxes and that the coins shall be exempt from sales taxes. (p.9)

The proposal codified in S. 42 and H.R. 1663 is a merger of these two proposals, inasmuch as the legislation before you today is an amendment to P.L. 95-630. The Treasury has already "improved" the gold medallion program, and this legislation will simply carry on the gold coin issue with a more popular design, a broader-based access to Mint production, and the tax features that the Treasury Department supports.

The Report of the Gold Commission contained a number of footnotes dissenting from the majority decision. As a member of the majority, let me reply to the dissenters. Every one of their objections has been given careful attention in our proposed legislation.

> (Page references are to the March 1982 Report to the Congress of the Commission on the Role of Gold in the Domestic and International Monetary Systems, Volume I.)

(p.5) Governor Partee, commenting on the gold medallion program, asked that the American Arts Medallions be discontinued when and if the Gold Commission's gold coin recommendation is implemented. This is the basic thrust of our legislation.

(p.6) Congressmen Reuss and Wylie, dissenting, aver that no public interest is served by U.S. coinage of gold; that it would produce more confusion in monetary affairs; that a gold medallion program already exists; that exempt-tax treatment would harm other investments; and the House Banking Committee opposes the idea. In reply, we must observe that "the public interest" is better measured by the statistics cited on page 3 of my testimony, above; gold coins can hardy promote more confusion in monetary affairs, since even the experts had confessed that today with rapid change in financial services they cannot say with certainty what is and what is not "money"; the gold medallion program, as stated above, is the basis for the proposed American Gold Eagle coinage; the tax exemption is an issue we will permit the Treasury (hereafter in these hearings) to comment upon; and, finally, the House Banking Committee in the 98th Congress is already different from the 97th Congress, so a new poll would be more relevant than the one cited in Mssrs. Reuss and Wylie's dissent.

(p.6) Congressman Wylie points out that gold coins require different machinery than silver, nickel, or copper coins. Our legislation has been drafted to permit use of the same machinery as presently is striking the American Arts Medallions, so no additional investment by the Mint should be required.

(p.6) Congressman Wylie reports that the American Arts Medallion program has been unsuccessful, and we agree. We are pleased with the improvements that were announced on April 12, 1983. This program will be transformed as he suggested by our legislation.

(p.7) Mr. Coyne expresses concern over the possibility that large amounts of gold might be sold to the public. The proposed legislation contemplates gold sales in the range of 750,000 troy ounces (minimum) to a maximum on the order of present sales by foreign coin producers -- see the table on page 3 of this testimony. In any event, 10 million ounces is stipulated in the legislation as a limit.

(p.7) Congressman Wylie, dissenting, makes several important distinctions between coins and medallions, and legal tender against other tender. Our view has always been that legal tender laws should be repealed, so we find nothing disturbing in declaring the American Gold Eagle coins shall not be legal tender. In a different forum we would ask that Federal Reserve Notes also be declared not a legal tender; the Act of February 25, 1862, was not a great day in American history.

(p.8) Congressman Reuss cited a bill, S. 1704 in the 97th Congress, introduced by Senator Symms of Idaho, the "Free Market Gold Coinage Act." This proposal was discussed by the Gold Commission, but it was seen as far more radical and libertarian than we were prepared to accept. Although I was a co-sponsor of its House companion, H.R. 3789, it must be noted that the Gold Commission was a deliberative body, and it adopted a moderate alternative -- which is before you today as S. 42 and H.R. 1663.

(p.8) Congressman Wylie brings our attention to the problem of knowing the "market price" of gold, and the possibility that a price could be artificially rigged. The legislation we have introduced says:

> "Sec. 404.(a) Coins authorized by this title shall be sold to the public in accordance with section 403 of this title, at a price to be determined daily by means of a formula published by the Secretary of the Treasury. That formula

> shall take into account the relative weight of gold in the coins, the price of gold bullion sold on registered commodity exchanges in the United States, plus an amount determined by the Secretary to pay for the minting, delivering, and distribution expenses of the coins, and all other related expenses."

I personally believe, and I am sure other expert witnesses will support me in this belief, that the "registered commodity exchanges in the United States" provide a widely distributed, competitive, and dynamic market; and that price-rigging and collusion under such circumstances is totally impossible. Congressman Reuss' comment about "exhorbitant trading profits to those foreign interests who fix the gold price" may apply to the gold coin market today, in which the American Gold Eagle coin does not play any role. The answer to such fears is more competition, not the prohibition of competition.

(p.9) The dissenting views of Congressmen Reuss and Wylie, Governors Wallach, Rice, and Partee, and the comment by Mr. Costamagna provide an illuminating debate about whether the Treasury should redeem the Gold Commission's recommended gold coins, whether they should be free of tax in their use as a parallel form of money, and whether there would be a loss of revenue to local governments.

So long as the official stock of gold is not depleted, and so long as the tax treatment is even-handed, to prevent deduction of trading losses from income, reducing liabilities for tax on other income, it is not obvious that any important change in the government's fiscal or balance-sheet interest is at stake. In the present legislation, S. 42 and H.R. 1663, the question of Treasury Department repurchases of the gold coins is not included; they cannot be used to pay taxes to the Federal government. Mr. Coyne's interpretation of the legal tender question (p.10) is also our view.

We hope the above analysis of the controversial topics evidenced in the footnotes of the Gold Commission's Report to the Congress will help members of Congress understand how the legislation before you resolves these problems. This legislation is not radical; it is moderate and responsive to all points of view -- including the minority of 2 -vs- 15 members of the Gold Commission.

The Importance of Diversification for Stability and Defense

I believe it is more important today to authorize these new forms of coinage, in both gold and silver, than it has ever been in the past. The international financial situation is of concern to all of us in the Congress; every day the articles appear in the newspapers about some problem of debt in lesser developed nations, the "unregulated" banking system in foreign countries, and fluctuating exchange rates. The modern system of money and banking, innovative financial services, and the international flow of funds is almost beyond the comprehension of any member of Congress.

My concern is that the present system is fragile, like crystal or fine china. It can be smashed in a million bits by some catastrophe. What if the debtor nations should form a cartel and refuse payment, and this would cause the closing of major New York banks? I suggest this possibility, not because I expect it to happen, but because I want to show how a supplemental gold and silver coinage could help reduce the risk to our economy.

If the bank failures in the scenario above should occur, the Federal Reserve Banks would immediately issue large amounts of additional currency to liquify our banking system and prevent the closing of additional banks, and thus prevent a recurrance of the 1930-33 problem of bank failures and collapse of our money supply.

Unfortunately, just as the generals always fight the previous war and therefore miss the dangers of the next one, the mere process of issuing large amounts of new currency would spark a massive price-level inflation in the United States. People would not hold this currency in shoeboxes at home. They would rush to turn it into real goods and services -- bidding up the prices. They would not deposit it back into the banks, because it would be the very fear about the banking system that caused the problem in the first place.

Yet, if these proposed American Gold Eagle coins -- and the proposed silver Troy Ounce National Defense coins -- were available, people would primarily rush to buy them instead of bidding up the prices of potatoes, canned goods, shoes, gasoline, and all of the other necessities of life. In a panic, people want "liquidity." If they can't trust the paper money, and history has shown us that they do not trust paper money for long, they attempt to convert it to something else.

Our Federal Reserve is not a "lender of last resort" in the case of a true panic; it is just a middleman, a supplier of banknotes. We must make available, as an emergency measure, a National Defense measure, some form of "last resort" liquidity in the form that has always satisfied the animal instincts of frightened people: gold and silver coin.

What I am describing is some form of "closed loop" in our financial system that can function in a panic. If war or international crisis should occur, we must provide a system that will permit individuals who rush to their bank to withdraw banknotes; but instead of allowing those banknotes to enter the circulation and bid up the prices of everything else, we should also provide an outlet for them -- the National Defense Stockpile of silver troy ounce coins and the American Gold Eagle coins. Let the price of gold and silver jump sky-high, so that the price of beans and potatoes and gasoline will stay at a more normal level. Let the movement in gold and silver prices help to penalize the individuals who are easily panicked. Those who remain cool will not throw away their dollars.

Most important, since people across the Nation do ask each other for advice, and they do tend to follow community leaders, the ones who remain cool-headed in a panic will demonstrate in the most powerful way that "panic is unprofitable." Nothing else will restore normal economic relations faster than the realization that panic is unprofitable!

The horror of a nuclear attack on the United States is something the House of Representatives has been debating for the past few days. Let me ask the question: What would happen to the banking system of the United States if one, small nuclear device were to explode over downtown Manhattan? The financial markets of the United States would cease to function, and the liquidity that today makes up the essence of our payments system would vanish.

I believe it is vital, for the survival of our Nation in such a time of war, for the free market system in the rest of the country to continue to function at peak efficiency. Yet, if the payments system, which is centered in New York, should disappear, the entire process of quoting relative prices for alternative goods and services in the millions of other cities and towns that span this Nation would become meaningless. What would it mean for a businessman in Denver to order spare parts or raw materials from another businessman in Houston or Salt Lake City or St.Louis in terms of the previous day's "dollar prices"?

Our modern definition of a "dollar" is this: Whatever a "dollar" will buy is a dollar. That may be a fine, agnostic definition of the monetary unit in normal situations, because nobody worries very much about sudden dislocations. How does that agnostic answer work at the moment of a major dislocation, such as our hypothetical nuclear bomb over New York? The answer is that it doesn't work -- it falls apart.

It is at moments like this, when the "unthinkable" occurs, that all of the academic debates about economics become irrelevant. It is moments like that when you wish you had voted to issue the troy ounce National Defense silver coins and the American Gold Eagle coins, with enough years of experience and distribution so that nobody is confused about what to do with them in a moment of crisis. These proposals today for gold and silver coins, denominated in troy ounces instead of "dollars" are an important civil defense, emergency management proposal. I urge you to consider the advantages of being prepared, and hoping that we will never have to use our preparedness; but being prepared in any case.

International Stability of Monetary Units

One final issue should be addressed, because the question of the stability of the international financial system is a major issue in the Congress this year. The "conventional wisdom" says that gold has no important role to play in international finance today. This is not true, and anyone who knows anything about international finance knows that it is not true. The role of gold is growing more important every year.

I believe that within my lifetime, most international trade and finance will be conducted in terms of "troy ounces of gold" as the main unit of account. In the 19th century, the individual national names of currency units were merely different "customary" unit-sizes of the same thing -- gold and silver metal. With the First World War, the advanced nations began to play a game we might call "foreign exchange," as if it were very important that England had a different currency from France or

Germany. The trade wars of the 1930s and the military war of the 1940s perpetuated this system of different national currencies. The Bretton Woods system seemed to restore an international currency system, but this was only a pretense -- and like all fictions, it was exploded after about 25 years.

What is the "international currency" today? Increasingly, the troy ounce of gold, as collateral for international loans, by means of "swaps" and other sophisticated mechanisms, has become the international referent. Perhaps the main reason for the overwhelming popularity of coins like the Krugerrand, the Maple Leaf -- and the American Gold Eagle -- is the fact that they provide an instantaneous basis for "pricing" the various national currencies: how many dollars, or Swiss francs, or marks does it take to buy a Krugerrand at any hour of any day? That is the value of the national currency at that moment.

For a decade now we have heard the slogan, "gold is too unstable to serve as a monetary asset." The attached chart was published recently by The Gold Institute/l'Institut de l'Or in Washington, D.C. that shows the fluctuation of three currencies in the past four months against a common frame of reference, the troy ounce of gold.

As should be clear from this chart, what is fluctuating and unstable over the longer horizon of economic planning and forecasting is the value of national currency units, not gold. To be sure, the selection of one's frame of reference automatically "fixes" it over time and the other things charted will vary in relation to the frame of reference. Yet, we know the dollar fluctuates according to the unpredictable vagaries of monetary policy. Since there is no such thing internationally as a "gold policy" (except, of course, to pretend that gold has been demonitized), it is obvious that this kind of chart, with gold as the frame of reference, is a more reliable indicator of relative currency values than, for example, a similar chart with the vertical axis measured in U.S. dollars.

Conclusion

Finally, Mr. Chairman, let me thank you for this opportunity to give testimony about the Report of the Gold Commission, and to demonstrate how the legislation I have introduced, along with Senator Helms, has answered the issues raised by the two dissenters on the Gold Commission.

I strongly urge you to report these bills favorably to the Senate because:

(1) The American people want to buy and use American gold coins rather than foreign gold coins.

(2) The coinage program will yield immediate revenue to the United States that is presently paid abroad.

(3) A parallel, troy-ounce gold and silver coinage can have important stabilizing influences during a crisis.

(4) The international financial system, which is essentially unregulated, is evolving toward a standard troy ounce of gold as its frame of reference.

Statement of Hon. Ron Paul
Member, U.S. Gold Commission

The Gold Institute/l'Institut de l'Or
1001 Connecticut Ave., N.W. - Suite 1140
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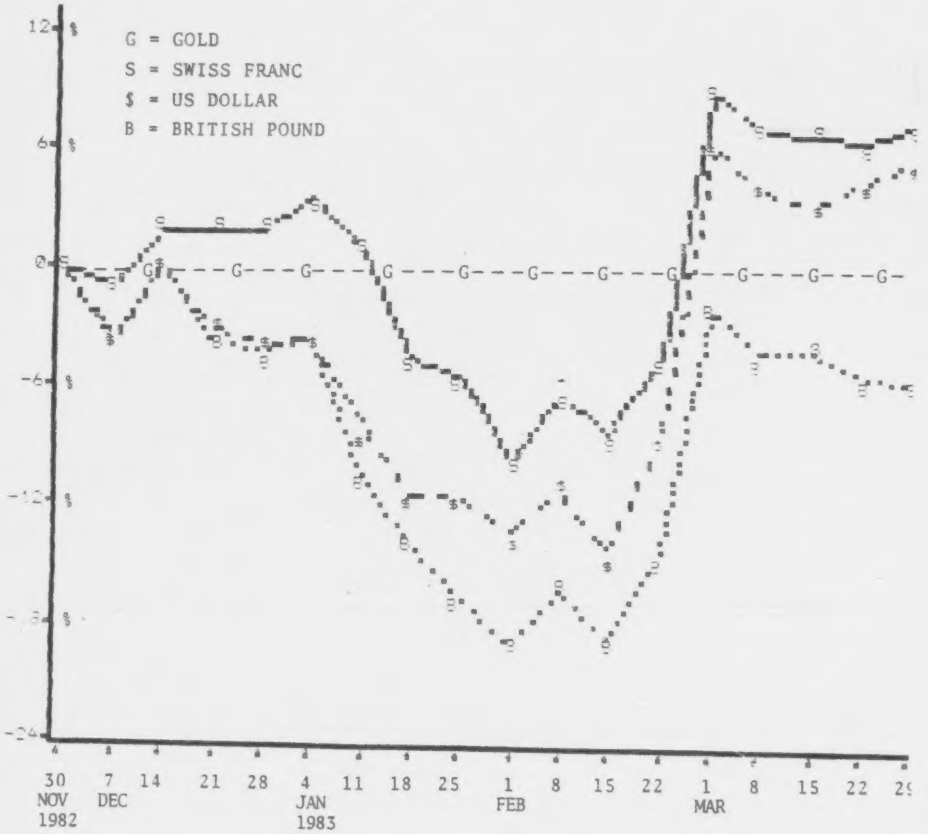
VALUES OF CURRENCIES IN MILLI-OUNCES OF GOLD:
% CHANGE FROM NOV 30, 1982 to MARCH 29, 1983



The CHAIRMAN. May I ask the first panel to come up; Mr. William Griffith, Mr. Walter Frankland, and Mr. Paul Krueger. Gentlemen, if I could ask you for the same courtesy, apparently Senator Helms has been tied up in traffic with the rain. If you're not familiar, if someone spits on the sidewalk in Washington, all the traffic comes to a screeching halt, and so if we could start with you and then when Senator Helms comes we would divert you for a few moments. We are very happy to have each of you here and, Mr. Griffith, would you like to begin?

STATEMENT OF WILLIAM GRIFFITH, CHAIRMAN, AMERICAN MINING CONGRESS, SILVER COMMITTEE; AD HOC COMMITTEE FOR AMERICAN SILVER; PRESIDENT, IDAHO MINING ASSOCIATION

Mr. GRIFFITH. Thank you, Senator Garn. As you may know, I'm president of Hecla Mining Co., a company that has been mining in the West for some 90 years, and during each of the recent years has been one of the top two silver mining companies in the United States.

I'm here representing a group known as the Ad Hoc Committee on American Silver, which is made up of four mining companies that operate in the States of Idaho, Washington, California, South Dakota, Nevada, and Utah. I also represent the American Mining Congress of which I'm a director and chairman of its silver committee, a committee which is made up of representatives of all of the major silver mining companies. I also currently happen to be president of the Idaho Mining Association, a trade association made up of all the mining companies in Idaho, a State which traditionally produces over 40 percent of the U.S. newly mined silver.

In addition to that, I'm currently serving as president of the Silver Institute which I'm not here to formally represent, but this is a group of some 142 miners, refiners, and dealers in silver from 25 different countries.

I cite these associations primarly to make the point that I have a broad exposure to people in the silver producing business and therefore am aware of their views and I assure you that the vast majority share the views that I will express here this morning.

I am here with regard to Senate bill No. 269, a bill providing for the disposal of silver from the national defense stockpile through the issuance of silver coins. This bill was introduced by Senator McClure of Idaho and has been cosponsored by Senator Symms of Idaho, Senator Laxalt of Nevada, and Senator Helms of North Carolina. Similar legislation was introduced this week in the House of Representatives by Congressman Craig of Idaho.

First, I want to make the point that we producers of silver, the vast majority of us, do not take any position as to whether or not silver should be disposed of from the strategic stockpile. Frankly, we recognize that we're not in possession of the facts to make that kind of decision.

SILVER DISPOSAL VIA COINAGE

We are convinced, however, that if the Government decides to dispose of that silver, that disposal via coinage as provided for in the McClure bill is the preferred alternative for three very simple reasons.

It is the best alternative for the country. It minimizes the risk in case strategic needs for silver change; and, quite frankly, it is the best for our industry and for the people that we employ.

Disposal of silver from the stockpile via coinage is best for our country because it will have the minimum negative impact on the price of silver and will therefore bring the Government more money for the silver it sells, providing more funding for the purchase of other materials for the strategic stockpile.

This is true because silver coinage, as has already been pointed out this morning—all precious metal coinage—has a broad appeal to a broad group of domestic investors at all income levels who cannot participate in sales of 1,000-ounce silver bars. Along with the speaker who previously testified, we believe an American citizen should have the opportunity to purchase precious metal coins produced in this country under the supervision of the U.S. Government and not be forced to buy coins imported from Mexico, such as the Onza, or the mapleleaf from Canada, or the Krugerrand from South Africa. There is enough evidence of interest in the purchase of precious metal coins, and specifically silver coins, to suggest that over a 5- and 6-year period the entire amount of silver contained in the strategic stockpile could be disposed of in this manner without a major adverse effect on the price of silver, and this would be a program which, with proper advertisement, would certainly return a sizable profit to the transactions fund.

Second, disposal of silver in this fashion will minimize the risk in case our strategic needs change. This is true because silver made available to the U.S. citizens in this fashion will largely end up in safety deposit boxes or dresser drawers. It will be available in case the need develops and can be brought out again as has been demonstrated by modest increases in the price or by patriotic appeal.

Third, disposal of silver by coinage is best for our industry and for the people we employ for the same reason that it's best for the Government, because this method of disposal will have the minimum negative impact on the silver price.

Now some people seem to be of the view that the 140 million ounces that's in the stockpile isn't enough to have an adverse effect on the market and they cite the fact that worldwide free world consumption is some two and a half times that each year. But these people forget several basic facts.

One, is the fact that our domestic supply of silver is 34 percent provided by recycled silver which is already in the system. It also ignores the fact that an additional 48 percent of our supply is provided by imports from relatively low-cost producers such as Mexico and Peru. It further ignores the fact that 50 percent of our domestic newly mined silver is produced as a by-product of the mining of other metals, such as copper in Utah, and it will be produced regardless of the price of silver.

Now what this means is that only 9 percent of the U.S. silver consumption is provided for by those of us whose primary mine product is silver and that's only 17 million ounces a year contrasted with 140 million ounces that are in the strategic stockpile. It is this small segment of our industry that would bear the brunt of any adverse price impact of the disposal program.

Much of this part of our industry is already in dire straits. In the Coeur d'Alene mining district of Idaho, for which the shopping area is eastern Washington, for instance, which produces over 40 percent of U.S. newly mined silver, the unemployment rate last winter was 37 percent and it's still above 25 percent today.

Certainly the previous attempt to dispose of silver via a GSA auction proved not to be good for either the country nor the industry. Little silver was sold. The anticipation of that sale depressed the price. The Government got little for the silver it did sell, and our industry was severely damaged.

In short, we in the silver mining industry urge you to give favorable consideration to Senate bill 269 because it is a sound approach for the country. It minimizes the risks to our strategic reserves. It maximizes the return to the stockpile transaction fund, and it will have a minimum adverse impact upon our industry, the people we employ, and the trading areas in which those people reside.

Thank you.

[The complete statement follows:]

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STATEMENT OF

William H. Griffith, President
Hecla Mining Company

My name is William A. Griffith. I am President of Hecla Mining Company, headquartered in Wallace, Idaho. My company has been mining in the western United States for over ninety years, and during each of the last three years has been one of the top two producers of newly mined silver in the United States. Last year over 15% of U.S. newly mined silver was produced for our account.

I am here representing the Ad Hoc Committee on American Silver, a group of precious metal miners with operations in Idaho, Washington, Nevada, California, Colorado, South Dakota, and Utah. In addition, I represent the American Mining Congress, of which I am a director and chairman of its Silver Committee. This committee has representation from nearly all of the major U.S. silver producers. I also represent the Idaho Mining Association, of which I am President. This is a trade group representing the mining industry in a state which has traditionally produced over 40% of U.S. newly mined silver. Although I am not here as their official representative, I am also President of the Silver Institute, a trade organization representing 142 mining, refining, and dealer companies in 25 countries. I cite these associations to indicate that I have a broad exposure to many segments of the silver industry and that I am therefore familiar with the thinking of most of the people in it. I know that the vast majority share the views I am about to express.

I am here today with regard to Senate Bill No. 269, a bill providing for the disposal of silver from the National Defense Stockpile through issuance of silver coins. This bill was introduced by our senior Senator, The Honorable James McClure, and cosponsored by Senators Symms from Idaho, Laxalt of Nevada, and Helms of North

Carolina. Similar legislation will be introduced in the House of Representatives by Congressman Craig of Idaho.

First you should understand that the vast majority of silver producers do not take any position as to whether or not silver should be disposed of from the strategic stockpile, nor what constitutes a proper stockpile target. Frankly, we recognize that we are not in possession of the facts necessary to make an informed judgment as to the strategic stockpile needs. We are convinced, however, that if the government decides to dispose of all or a part of the silver in the strategic stockpile, disposal via coinage as provided for in the McClure legislation is the preferred alternative for three very simple reasons:

1. It is best for the country.
2. It minimizes the risk in case strategic needs for silver change.
3. It is best for our industry and the people we employ.

First, disposal of silver from the stockpile via coinage is best for our country because it will bring our government more dollars than will other methods of disposal. These additional funds will allow the government to buy more of other urgently needed materials for the stockpile. This is true because disposal as coinage will not depress the price of silver as much as will other disposal procedures. This is true, in turn, because silver coins will appeal to a broad group of individual domestic investors at all income levels who cannot, for example, participate in auctions of 1000-ounce bars.

We believe that the American people should have the right to buy American bullion coins. It is wrong for our citizens to be forced to buy bullion coins, for either collection or investment, from other countries, such as the Onza from Mexico and the Krugerrand from South Africa. There is enough evidence of interest in a silver bullion coin, which can be purchased for substantially less than gold, to suggest that over a 5- to 6-year period the public could be expected to purchase the entire supply which would be made available through the minting of stockpile silver. If the price is right and the program receives adequate advertisement so that the public is aware of the opportunity, we have no doubt that this can be a successful program which will return a sizeable profit to the transaction fund.

Second, disposal of silver as coinage will minimize the risk in case our strategic needs for silver change and this disposal proves to have been a mistake. This is true because silver made available in coinage is far more likely to end up in the possession of private U.S citizens. A modest increase in price and/or a patriotic appeal should be sufficient to bring it back into circulation. And third, disposal of silver as coinage is best for our industry and the people we employ because it will have minimum impact on the silver price. Although such economic considerations should not govern national defense stockpile policy, it does not follow that such impacts should be ignored by those managing stockpile disposal. Some people view the 140 million ounces of silver considered for disposal as too small to have a long-term impact on the market, when the free world consumption is about 2-1/2 times that each year. This view ignores several basic facts. It ignores the fact that over 34% of the domestic supply is provided by recycling silver already in the system. It ignores the fact that 40% is provided by imports from relatively low-cost foreign producers. It ignores the fact that over 50% of domestic newly mined silver production is the by-product of the mining and refining of other nonferrous metals. Its production rate is therefore insensitive to silver price. This leaves only about 9% of the U.S. silver industry -- the 17 million ounces per year of the U.S. newly mined silver from mines whose product is primarily silver, to absorb the bulk of the price impact of any disposal program. Much of this part of our industry is already in desperate straits. In the Coeur d'Alene mining district of Idaho, for instance, which I remind you produces over 40% of U.S. newly mined silver, the unemployment rate reached 37% last winter and is today still above 25%.

Certainly the previous attempt to dispose of silver via a GSA auction proved not to be good for either the country nor our industry. Little was sold. The anticipation of sales significantly depressed the price. The government got little for its silver and our industry was severely damaged.

In short, we in the silver mining industry urge you to give favorable consideration to S. 269. It is a sound approach for the country. It minimizes the risk to our strategic reserves and maximizes return to the stockpile's transaction fund, and will have a minimal adverse impact upon our industry and our employees.

The **Chairman**. Thank you very much, sir.

Mr. Frankland.

STATEMENT OF WALTER L. FRANKLAND, JR., EXECUTIVE VICE PRESIDENT, SILVER USERS ASSOCIATION

Mr. **Frankland**. Thank you, Mr. Chairman.

I am Walter L. Frankland, Jr., executive vice president of the Silver Users Association located here in Washington. We appreciate the opportunity to express the views of the members of the Silver Users Association on S. 269, a coinage bill. Revenue from the sale of these coins would be directed to the National Defense Stockpile transaction fund for the purchase of items needed for the stockpile.

The Silver Users Association is composed of companies which use approximately 80 percent of the silver that's consumed in domestic manufacturing. A list of the current membership is at enclosure A to my complete statement. A factsheet explaining the purpose of SUA is at enclosure B.

Mr. Chairman, as a supplement to the statement, I have a paper giving further background on domestic silver that I would hope could be included in the record.

The **Chairman**. We'd be happy to include your full statement in the record as well as the supplement.

Mr. **Frankland**. Thank you very much.

[The complete statement follows:]

Silver Coin Proposal
S-269

SILVER USERS ASSOCIATION 1717 K ST., NW—WASHINGTON, D. C.—20006—(202)785-3050

Statement of
SILVER USERS ASSOCIATION, INC.
Before
Committee on Banking, Housing, and Urban Affairs
UNITED STATES SENATE
Presented by
Walter L. Frankland, Jr.
Executive Vice President
April 15, 1983

Mr. Chairman and Members of the Committee:
We appreciate the opportunity to appear today to express the views of the members of the Silver Users Association (SUA) on S-269 which would authorize the use of surplus silver from the National Defense Stockpile to mint proof and uncirculated coins and a one-ounce medallion. Revenue from the sale of these coins would be directed to the National Defense Stockpile transaction fund for the purchase of items needed for the stockpile.

The Silver Users Association is composed of companies which use silver in the production of items such as photographic film, electrical contacts, jewelry, silverware and medical supplies. It is estimated that members of SUA consume approximately 80% of the silver used in domestic manufacturing. A list of the current membership is attached as enclosure A to this statement. A Fact Sheet explaining in more detail the purpose of the Silver Users Association is at enclosure B.

This mark is a mediaeval alchemist's symbol for silver. The modern chemical symbol is Ag, the atomic number 47.

COIN PROPOSAL USES SURPLUS STOCKPILE SILVER

The legislative proposal in S-269 is made possible because the 137.5 million ounces of silver in the National Defense Stockpile have for several years been declared surplus. In fact, four different administrations, including the present one, over more than nine years have determined that the stockpile objective for silver was zero. Congress acknowledged this determination in the Omnibus Budget Reconciliation Act of 1981, which authorized the disposal of silver through sales to be conducted by the General Services Administration. That authority involved approximately 105 million ounces of silver for release during a three-year period.

SILVER STOCKPILE DISPOSAL RESUMED IN 1981

In October, 1981, the GSA began offering silver for sale at a rate of 1.25 million ounces per week. The offerings were suspended in December, 1981, after an amendment to the Defense Appropriation Act of 1982, required a review of the status of silver by a cabinet-level panel. During the disposal effort, GSA awarded two million ounces out of a total of 11.25 million ounces. The reason given by GSA for failure to sell more silver was that the bids were not responsive.

For two years, the market, although volatile, had been soft with the price varying from a high of $48.00 in January, 1980, to a low of $9.00 in October,1981, when the sales began. Claims are made that government sales caused the drop in silver prices. It cannot be denied that while silver was offered for sale, the price trend continued downward, the direction it had followed for nearly two years. The major factors, however, contributing to lower prices were:

- A reduction in industrial demand due to the unrealistically high price for silver in 1979, and early January, 1980.
- High interest rates which made purchases of precious metals for investments more expensive while at the same time producing attractive investment alternatives in the form of money market funds and Treasury offerings.
- Supplies of silver from secondary sources such as coins, industrial scrap, and sterling ware rose to historic highs.

- Dropping prices caused speculators to seek other havens for their money and thus greatly reduced the speculative demand for the white metal.
- The impact of the recession on normal demand grew larger as the recession both here and overseas became broader and more serious.

As the above factors arose almost simultaneously, the effect on silver was predictable and immediate. The price for silver retreated to come more in line with historic price levels. It is erroneous, therefore, to blame low silver prices on a government sales program which could be more accurately described as a "no sales" policy. Even after sales by GSA were stopped, the price for silver dropped from nearly $9.00 to $4.88 per ounce, six months later.

SUA SUPPORTS SILVER SALES AS SURPLUS DISPOSAL

Although recognition by Congress that the silver in the stockpile is surplus settles at least one facet of the silver issue, finding the proper procedures for its disposal remains as a major task. SUA submits that the most effective manner of disposal would probably be through the closed-bid auction of the kind previously conducted by the GSA. The rate of disposal to be determined by GSA must not be so high as to cause market disruption; however, it must be high enough to be economically feasible from both the government and potential buyer viewpoints.

SENATOR McCLURE SUGGESTS LIMIT ON SILVER SALES

The sponsor of S-269, Senator James McClure (R-Idaho), succeeded in an amendment last year to limit annual surplus silver sales from the stockpile to ten percent of domestic production during the previous year. For example, such an amount in 1983, would be about 3.5 million ounces. This may be a reasonable amount based on concerns for domestic producers. It is, however, quite low when it is compared with an annual industrial demand in this country of about 122 million ounces. Likewise, net imports for 1982, of 92 million ounces might suggest an annual sale higher than what the current ten percent ban would permit.

Additional costs to the government in conducting these silver sales would be far less than that which would be incurred in minting, promoting and marketing the one-ounce medallion.

SPECIAL SILVER COINS MARKETED WITH DIFFICULTY

SUA submits further that the record of previous mintings of special silver coins has fallen far short of the goals set by the sponsors. As an example, more than half of the bi-centennial commemorative coins remain in Treasury vaults. The demand for Olympic silver coins through March was less than one million. In the George Washington half-dollar program, to date only 60% of the authorized minting has been sold. The full authorization would consume 3.6 million ounces.

CURRENT COIN PROPOSAL COULD DELAY FUNDING STOCKPILE PURCHASES

Coins carrying a premium above the silver value of seventy-five and fifty percent as suggested respectively for the proof and uncirculated coins would immediately categorize them as collector items. We suggest that the effort to market all of the coins using 15 million ounces of silver could extend over a long period of time.

The case might be different for the one-ounce medallion since its premium as limited by the proposed legislation is not to exceed ten percent above the silver value. We question, however, whether there is a demand for such a coin when the market already contains one-ounce medallions and bars, some selling at a comparable premium. Even with this medallion, we would imagine that the final disposal of 90 million ounces of silver could require many years.

In the meantime, if only a coin program is available for disposal of surplus silver, the Defense Stockpile transaction fund would be slow in receiving the revenue it could otherwise have as a result of a silver sales program. In turn, the stockpile buildup is unable to benefit from an asset that is available immediately for disposal.

In any coin program, to avoid a lengthy holding of unsold coins by Treasury, perhaps a sunset provision of three years should apply after which coins could be remelted and used as bullion.

SUA OBJECTS TO COINS AS SOLE DISPOSAL METHOD

The SUA rationale for not supporting a coinage program as the sole manner for disposal of surpus silver can be summarized as follows:

1- Minting, promoting and marketing silver coins would be an additional cost to the taxpayer and an unnecessary one since sales of the bullion could be conducted now with no additional treatment to the silver in its present form.

2- A coin program would delay the availability of funds for purchasing items needed by the stockpile.

3- Disposal through coinage does not reduce the size of silver imports which are required to meet industrial needs.

4- Coin programs of the past would suggest difficulties in having any large scale success for this effort. A lenghty disposal through coinage would continue the costs associated with maintaining an asset already determined to be surplus.

SILVER SALES SHOULD BE MAJOR DISPOSAL METHOD

If it is the will of the Congress to develop a silver coinage program for disposing of surplus stockpile silver, such a program should only be used as a modest supplement to a silver sales program and not be in lieu thereof. Sales programs of the past have proven successful and are a logical manner for disposing of a government asset no longer required for its original purpose. SUA rationale for advocating a silver sales program with or without a coinage program can be summarized as follows:

1- With the current high market price for silver, the sale of government silver would mean increased revenue to the Treasury, benefiting all taxpayers and the money could be used now to purchase more items needed for defense without altering current budget plans.

2- Government silver made available to the market would meet a portion of domestic requirements and could lessen the need for imports.

3- Additional supplies to the market of useable metal would be in the best interest of millions of Americans who consume products using silver. Photographic, electrical, jewelry and medical and dental supplies are some examples of those products.

4- The interest(9%) costs, alone, to the government for maintaining the large amounts of silver (137.5 million ounces) are estimated at nearly $400,000 per day.

In closing, Mr. Chairman, SUA strongly recommends that the major program for the disposal of silver be through GSA sales and that any coin program be supplemental to that effort.

Enclosures:

A: SUA Members
B: Fact Sheet: Purpose of SUA, Inc.

SILVER USERS ASSOCIATION
1717 K Street, N.W.
Washington, D.C. 20006

PHOTOGRAPHIC MATERIALS

Ames Goldsmith Corporation, Glens Falls, New York
Bicknell Photo Service, Portland, Maine
E.I. du Pont de Nemours & Company, Inc., Wilmington, Delaware
Eastman Kodak Company, Rochester, New York
Minnesota Mining & Manufacturing Company, St. Paul, Minnesota
Peerless Photo Products, Shoreham, New York
Polaroid Corporation, Cambridge, Massachusetts
Polychrome Corporation, Clark, New Jersey
Powers Chemco, Inc., Glen Cove, New York
Rhone-Poulenc Systems Company, Parsippany, New Jersey

SILVERWARE

Gorham Division of Textron,Inc., Providence, Rhode Island
The Kirk-Stieff Company, Baltimore, Maryland
Lunt Silversmiths, Greenfield, Massachusetts
Oneida Limited, Oneida, New York
Reed & Barton Silversmiths, Taunton, Massachusetts
Tiffany & Company, New York, New York
Towle Manufacturing Company, Newburyport, Massachusetts
Wallace Silversmiths, Wallingford, Connecticut

FABRICATED AND INDUSTRIAL PRODUCTS

Checon Corporation, Attleboro, Massachusettes
Engelhard Industries, Iselin, New Jersey
Handy & Harman, New York, New York
Heraeus Midland Processing, Inc. Pomona, New York
J.W. Harris Company, Inc. Blue Ash, Ohio
Metz Metallurgical Corporation, South Plainfield, New Jersey
National Refining Corporation, Gallatin, Tennessee
Precision Metallurgical Corporation, Millis, Massachusetts
SIPI Metals Corporation, Chicago, Illinois

ASSOCIATIONS

Manufacturing Jewelers & Silversmiths of America, Inc. Providence, Rhode Island
National Association of Mirror Manufacturers, Potomac, Maryland
(suburban, Washington, D.C.)

Enclosure A

April, 1983

SILVER USERS ASSOCIATION, Inc., 1717 K Street, N.W., Washington, D.C., 20006 202-785-3050

FACT SHEET: Purpose of SUA, Inc.

The Silver Users Association, Inc., established in 1947, represents the interests of corporations that make, distribute and sell products in which silver forms an essential part. Association membership today includes representatives from the photographic, electronic, chemical, commemorative arts, silverware and jewelry industries; producers of semi-fabricated and industrial products; and, mirror manufacturers.

A major purpose of the Association is to keep its members and the public informed on the pertinent developments in the field of silver; such as, production, consumption, availability, uses, regulations and legislation.

The applications of silver are highly diversified and range from photography to missiles; from computers to sterling jewelry. An approximate breakdown of the silver usage in the U.S. shows these percentages: photography, 43%; electrical and electronics, 27%; sterling ware, 6%; brazing alloys, 5%; electroplated ware, 3%; catalysts, 2%; jewelry, 5%; commemorative and collector arts, 3%; dental and medical, 1%; and, all others, such as bearings, mirrors, rockets and missiles, 5%.

The Association estimates that its members account for approximately 80% of all silver consumed in the United States. More than 80,000 men and women work for Association members who are heavily dependent upon silver for manufacturing. In addition, there are about 1,500 firms of the Manufacturing Jewelers and Silversmiths of America and their 70-75,000 employees. The Association was incorporated in the District of Columbia in April, 1971.

President of the Silver Users Association is Mr. Sinclair Weeks, Jr., President, Reed and Barton Corporation. Mr. Robert Wiele, Minnesota Mining and Manufacturing Co., is Vice President and Chairman of the Executive Committee. Mr. Philip G. Deuchler, Handy & Harman, is Treasurer. In addition to these three officers, other members of the Executive Committee are:

Nelson B. Colton	Engelhard Industries
Donald Conaway	Checon Corporation
George Frankovich	Manufacturing Jewelers & Silversmiths of America, Inc.
Dr. Kamran Habibi	E.I. du Pont de Nemours & Company
Denham C. Lunt, Jr.	Lunt Silversmiths
Edward L. Lutterbein	Eastman Kodak Company
Ronald J. Paparella	Wallace Silversmiths
Richard Rosenblatt	Polaroid Corporation
Doug Smith	Powers Chemco, Inc.
James W. Thomas	Gorham Division of Textron, Inc.

Walter L. Frankland, Jr., Executive Vice President - Secretary, SUA

March, 1983

Enclosure B

Silver Users Association
1717 K Street, N.W.
Washington, D.C. 20006
Phone: 785-3050

BACKGROUND ON DOMESTIC SILVER

GENERAL

During its two hundred year history, the U.S. Government has been the largest buyer, user and seller of silver. Currently, it is probably the largest single holder of silver in the world with 137.5 million ounces in the strategic stockpile, 35 million ounces in the U.S. Mint and four million ounces held by the Defense Department.

DOMESTIC SUPPLIES

- New Production in the U.S. for 1982 amounted to 35 million ounces.
  Source: Bureau of Mines
- Secondary Recovery from scrap metal including melted coins is estimated at 40 million ounces for 1982.
  Source: The Silver Institute
- Net Imports accounted for 92 million ounces during 1980. All but 21 million ounces of this figure is attributed to countries of the Western Hemisphere.
  Sources: Handy & Harman, Bureau of Mines

DOMESTIC CONSUMPTION

Industrial demand in the U.S. for 1982, estimated by the Bureau of Mines at 122 million ounces, was at the second lowest level since 1963. In addition to new production, scrap recovery and imports, other silver used to meet industrial requirements in recent years has come from industry inventories and speculative holdings. A breakdown by usage category is contained in Chart #3.

PRICE

At the time the Treasury ceased selling silver to all comers in May, 1967, the price was $1.29 per ounce. While the U.S. Government sold silver to domestic users at $1.29 a two-tier price system existed with the world price reaching $1.78. In July, 1967, the Treasury withdrew from the market and a month later sales were resumed as a weekly auction through November 10, 1970. Prices rose to a high of $2.565 by June, 1968, and then began dropping until a low of $1.288 was recorded in November of 1971. The average price in 1972 was $1.68; $$2.57 in 1973; and $4.71 in 1974.

A new all-time high was established at $6.70 on February 20, 1974. The strong upward pressure on the price was caused by a world-wide distrust of currencies and a speculative investment craze. From August, 1975, until January, 1976, the price of silver had been in a downward trend, with an average of $4.42 in 1975 and $4.35 in 1976. Fluctuations between $4.30 and $4.96 during 1977 were wide at times, with 5-10 cent differentials not unusual from one day to the next. The average for that year was $4.62. The average price for 1978 was $5.40.

During 1979, silver prices were very volatile with a low of $5.961 per ounce established on January 11 and then a record high of $28.00 on the last trading day of the year. In 1980, the record high of $48 was set on January 21, and a low of $10.80 recorded May 22, with the average for the year at $20.63, an all-time high annual price. In 1981, the price continued a downward trend averaging $10.52 with a high of $16.45 and a low of $7.95. Through mid-1982, the downward trend continued with a bottom being established at $4.88 per ounce in June. Then, the price turned around primarily because of increased speculation, reaching a high of $11.21 for an average of $7.95 in 1982. The average through March, 1983,was $12.33.

GOVERNMENT STOCKPILE

Silver was first placed in the strategic stockpile in June, 1968,when 165 million ounces were transferred from the Treasury in accordance with the Silver Certificate Adjustment Act of 1967. By the Bank Holding Act of 1970, 25.5 million ounces were transferred to the Treasury for use in the Eisenhower coin program. The stockpile currently contains 137.5 million ounces. Since 1974, all or a major portion of the silver has been declared surplus by four administrations.

Between October 14, and December 16 of 1981, the GSA offered 11.3 million ounces of silver, of which only two million ounces were sold before senatorial opposition forced a temporary halt pending a cabinet-level study headed by the Secretary of the Interior.

The Silver Users Association, in establishing its position on the stockpile issue, does not attempt to determine what should be considered an appropriate level of silver to meet defense needs. Rather, the Association firmly supports the concept of an orderly disposal of whatever silver is determined to be surplus to defense requirements. The revenue gained therefrom could be put to good use in buying items critically needed for the defense stockpile.

In this regard, the Association wishes to point out that the United States, Canada and Mexico together produce about 117 million ounces annually. The balance of the Western Hemisphere supplies an additional 68 million ounces of new production making a total of about 185 million ounces. For an annual current industrial demand of 122 million ounces in the U.S., it is evident that this raw material should be accessible in an emergency. The cited production does not include silver recovered in the U.S. annually from coins and other forms of useable scrap which in 1982 was estimated at some 40 million ounces.

The National Security Council has determined that there is no requirement for stockpiling silver. The amount of silver currently in the Stockpile -137.5 million ounces- is surplus to defense needs. It should be noted that other stocks in this country could become available for extreme emergencies not contemplated in the plans, such as:

- 38 million ounces in the Treasury stocks for coinage
- 21 million ounces held by industry
- 4.5 million ounces in the Defense Department stocks for contracts with government furnished material provisions
- 100-plus million ounces in COMEX and Chicago Board of Trade warehouses
- 900 million ounces of 90% silver coins held by citizens
- 600 million ounces in bullion held by citizens
- 850 million ounces in sterling ware held by citizens

Charts: World Silver Consumption and Supplies (1972-82)
World Silver Consumption (1972-82)
U.S. Industrial Consumption (1972-82)
Price History
1965-1983

April, 1983

Addendum: Reference:Secondary Recovery

Secondary silver is one of the most important factors in the silver market. For many years, scrap recovery has exceeded new production in the U.S. In 1979, in the U.S. alone, scrap recovery including coins was estimated at 66 million ounces. In 1980, that figure reached 91 million ounces, according to the Silver Institute. In 1981, the figure was 58 million ounces and 40 million ounces in 1982. In March, 1982, the Bureau of Mines released its study on "The Price-Responsiveness of Secondary Silver", announcing that 2.5 billion ounces of silver in bullion, coins and silverware were estimated to be available in the U.S.

Chart #1

World Silver Consumption and Supplies
(Millions of Ounces)
1972-1982

	1972	73	74	75	76	77	78	79	80	81	82
Consumption											
Industrial Uses:											
United States	152	196	177	158	171	154	160	157	125	117	122
Other Countries	237	282	232	219	266	280	283	263	225	227	23[illegible]
Coinage Uses:											
United States	2	1	1	3	1	---	---	---	---	---	[illegible]
Other Countries	36	28	27	36	29	23	36	28	14	9	10
Total Consumption	427	507	437	416	467	457	479	448	364	353	369
Supplies											
New Production	246	254	237	242	247	267	269	267	255	272	265
U.S. Treasury	1	1	1	3	1	---	---	---	---	2	2
Other	89	190	166	192	218	164	164	143	230	152	137
Total	337	445	404	437	466	431	433	410	482	426	404
Liquidation of (additions to) private bullion stocks	90	62	33	(21)	1	26	46	38	118	(73)	(35)
Available for Consumption	427	507	437	416	467	457	479	448	364	353	369

Source: Handy & Harman

Chart # 2

World Silver Consumption (Millions of Ounces)

1972-1982

	1972	73	74	75	76	77	78	79	80	81	82
Industrial Uses											
United States	151	196	177	158	171	154	160	157	125	117	122
Japan	54	69	47	46	61	63	65	69	62	60	60
West Germany	60	65	60	39	51	60	47	37	29	28	34
Italy	32	42	39	29	32	34	42	33	25	25	23
France	17	14	16	21	19	21	22	22	20	21	19
United Kingdom	27	31	25	28	28	32	29	27	21	19	20
India	13	13	15	13	18	18	20	19	19	19	23
Canada	7	9	10	11	10	9	9	8	9	9	9
Other	27	39	20	32	48	43	49	48	40	46	47
Sub-Total*	389	478	409	377	437	434	443	420	350	344	357
Coinage											
United States	2	1	1	3	1	---	---	---	---	---	2
Canada	---	1	9	10	8	---	---	---	---	---	---
France	1	---	---	5	7	7	11	8	---	---	---
Austria	6	7	6	13	7	3	5	5	4	3	4
West Germany	22	10	9	4	3	3	4	4	---	---	---
Mexico**	---	---	---	----	---	4	6	5	6	--	---
Others	7	10	3	4	4	6	10	6	3	6	6
Sub-total	38	29	28	39	30	23	36	28	14	9	12
TOTAL*	427	507	437	416	467	457	479	448	364	353	369

Source: Handy & Harman

* Totals may vary due to rounding-off

**Included in Other Countries before 1977

Chart # 3

U.S Industrial Consumption of Silver

(Millions of Ounces)
197-1982)

Category	1972	73	74	75	76	77	78	79	80	81	82
Electroplated Ware	12.7	14.5	13.2	8.7	9.6	6.8	7.3	8.0	4.4	3.9	3.4
Sterling Ware	26.5	29.4	22.1	23.7	19.8	16.7	17.9	13.1	9.1	4.4	6.7
Jewelry	4.9	5.8	5.2	12.7	11.0	8.1	6.8	5.3	5.9	5.4	7.1
Photographic Material	38.3	52.0	49.6	46.1	55.5	53.7	64.3	66.0	49.8	51.0	51.8
Dental & Medical Supplies	2.0	3.0	2.4	1.5	2.0	2.2	2.0	2.3	2.2	1.7	1.7
Mirrors	1.2	2.6	3.9	3.2	4.6	2.1	1.9	1.9	.7	.6	1.0
Brazing Alloys & Solders	12.2	17.7	14.5	13.6	11.3	12.6	11.0	11.0	8.5	7.7	7.9
Electrical & Electronic:											
Batteries	6.0	4.2	4.2	4.3	3.7	5.8	6.0	4.6	6.0	3.8	4.5
Contacts & Conductors	36.4	40.2	31.3	27.2	32.3	31.3	30.8	33.4	27.8	26.4	28.9
Bearings	.3	.4	.4	.5	.3	.5	.4	.3	.6	.3	.2
Catalysts	3.4	6.0	7.3	8.8	12.3	8.9	8.2	7.5	3.0	3.8	2.4
Commemoratives*	.7	20.1	22.3	7.2	8.2	4.3	2.8	2.8	4.7	2.6	1.6
Miscellaneous	.5	.5	.5	.3	.4	.9	1.0	1.0	2.0	5.0	4.6
TOTAL*	151.6	196.4	177.0	157.7	170.5	153.8	160.2	157.3	124.7	116.6	121.7

Source; Handy & Harman(1972-1981); Bureau of Mines (1982)
* Totals may vary due to rounding-off

Chart # 4

Silver Prices
(per ounce)

1965-1983

Year		High	Low	Average
1983	(through March)	$14.75	$10.13	$12.53
1982		11.21	4.88	7.95
1981		16.45	7.95	10.52
1980		48.00	10.80	20.63
1979		28.00	5.96	11.09
1978		6.30	4.83	5.40
1977		4.96	4.30	4.62
1976		5.10	3.82	4.35
1975		5.23	3.91	4.42
1974		6.70	3.27	4.71
1973		3.28	1.96	2.56
1972		2.05	1.39	1.69
1971		1.75	1.29	1.55
1970		1.93	1.57	1.77
1969		2.02	1.54	1.79
1968		2.57	1.81	2.14
1967		2.17	1.29	1.55
1966		1.29	1.29	1.29
1965		1.29	1.29	1.29

Source: Handy & Harman

The CHAIRMAN. Thank you very much.

I just can't help but remark, now that Senator Helms has arrived, that I have always wanted to sit on his right. It's taken me 8½ years to do that.

Mr. Krueger.

STATEMENT OF PAUL K. KRUEGER, ASSISTANT ASSOCIATE DIRECTOR FOR RESOURCES PREPAREDNESS, FEDERAL EMERGENCY MANAGEMENT AGENCY

Mr. KRUEGER. Thank you, Mr. Chairman.

With your permission, I'd like to submit my statement for the record and read extracts from it.

The CHAIRMAN. We will place your entire statement in the record.

[The complete statement follows:]

STATEMENT OF PAUL K. KRUEGER
ASSISTANT ASSOCIATE DIRECTOR FOR RESOURCES PREPAREDNESS
FEDERAL EMERGENCY MANAGEMENT AGENCY
BEFORE THE
COMMITTEE ON BANKING, HOUSING, AND URBAN AFFAIRS
UNITED STATES SENATE

APRIL 15, 1983

MR. CHAIRMAN AND MEMBERS OF THE COMMITTEE. THANK YOU FOR THE OPPORTUNITY TO PRESENT THE VIEWS OF THE FEDERAL EMERGENCY MANAGEMENT AGENCY (FEMA) ON S. 269, A BILL TO PROVIDE FOR THE DISPOSAL OF SILVER FROM THE NATIONAL DEFENSE STOCKPILE THROUGH THE ISSUANCE OF SILVER COINS. ONE OF THE EMERGENCY MOBILIZATION PROGRAMS FOR WHICH THIS AGENCY ESTABLISHES POLICY IS THE NATIONAL DEFENSE STOCKPILE OF STRATEGIC AND CRITICAL MATERIALS. IT IS FROM THIS PERSPECTIVE THAT I WILL FOCUS MY REMARKS TODAY.

AS YOU ARE AWARE, THE ADMINISTRATION IS PRESENTLY COMPLETING THE STATUTORY REQUIRED REPORT ON METHODS OF DISPOSAL OF EXCESS SILVER FROM THE STOCKPILE. UNTIL THAT REPORT IS FINISHED, IT IS NOT APPROPRIATE TO TAKE A POSITION ON WHICH IS THE MOST DESIRABLE METHOD OF DISPOSAL.

WHILE SILVER COINAGE AS PROPOSED IN S. 269 COULD PROVIDE A DISPOSAL METHOD WITH PROSPECTIVELY LESS DISRUPTIVE EFFECTS ON INTERNATIONAL SILVER COMMODITY MARKETS THAN PRESENTED SOLELY THROUGH PERIODIC AUCTIONS OF THE EXCESS STOCKS OF SILVER BY THE GENERAL SERVICES ADMINISTRATION (GSA), THE IMPACT IT COULD HAVE ON MARKETS FOR SILVER COINS HAS NOT BEEN ESTIMATED.

THE METHODS FOR MARKETING SILVER COINS PROVIDED IN S. 269 QUALIFY AS ONE POSSIBLE MEANS OF LIMITED SILVER DISPOSAL TAILORED TO THE SILVER MARKET STRUCTURE IN TWO SENSES: THE METHODS IN S. 269 ARE DESIGNED TO MAXIMIZE RECEIPTS TO THE TRANSACTION FUND FROM DISPOSALS OF LIMITED QUANTITIES OF EXCESS STOCKPILE MATERIALS AND TO MINIMIZE ANY PERCEIVED DISRUPTION OF SILVER MARKETS RESULTING FROM SUCH DISPOSALS. THESE TWO OBJECTIVES ARE MANDATED BY THE STRATEGIC AND CRITICAL MATERIALS STOCKPILING ACT IN THE CONDUCT OF DISPOSAL OPERATIONS FROM THE NATIONAL DEFENSE STOCKPILE. THE DISADVANTAGES OF THESE METHODS IS UNCERTAINTY OF DEMAND AND SALES REVENUE; AND THE EFFECTS ON THE SILVER COINAGE MARKET.

PENDING COMPLETION OF THE ADMINISTRATION'S STUDY OF SILVER, THE SUCCESS OF COINAGE OR OTHER SILVER DISPOSAL METHODS COULD REQUIRE OTHER STATUTORY CHANGES CURRENTLY CONSTRAINING DISPOSALS OF EXCESS SILVER FROM THE NATIONAL DEFENSE STOCKPILE. NO MORE THAN THREE OR FOUR MILLION OUNCES CAN BE SOLD UNDER THE PROVISIONS OF SECTION 799B OF THE JOINT CONTINUING RESOLUTION FOR FISCAL YEAR 1983 PREVENTING SILVER SALES IN EXCESS OF 10 PERCENT OF THE PRIOR YEAR'S DOMESTIC SILVER ORE PRODUCTION.

AS I HAVE NOTED, THE ISSUES I HAVE RAISED ARE ALREADY UNDER REVIEW BY THE ADMINISTRATION WHICH IS PREPARING THE CONGRESSIONALLY MANDATED REPORT ON SILVER SUPPLY AND DEMAND AND ALTERNATIVE METHODS OF DISPOSAL AS REQUIRED BY P.L. 97-114. FOR THESE REASONS WE OPPOSE ENACTMENT OF S. 269 AT THIS TIME.

MR. CHAIRMAN, THAT COMPLETES MY PREPARED STATEMENT. I WOULD BE HAPPY TO ANSWER ANY QUESTIONS YOU OR YOUR COMMITTEE MAY HAVE.

The CHAIRMAN. Thank you very much, gentlemen. We appreciate your testimony and we will have some questions for you.

Senator Helms, as I stated earlier my suspicion was that he had been caught in the traffic with the rain, and that really slows down everything in this town.

Senator HELMS. I would be interested in the questions.

The CHAIRMAN. Let me turn to Senator McClure.

STATEMENT OF JAMES A. McCLURE, U.S. SENATOR FROM THE STATE OF IDAHO

Senator McCLURE. Mr. Chairman, I wish to thank you first of all for holding this hearing and giving me the opportunity to appear. I would also take this opportunity to not only say a belated welcome, but thanks to Bill Griffith, who's a valued constituent in Idaho and an extremely valued member of the community that is affected by the silver industry in Idaho. And to again say hello to Colonel Frankland, who is an old friend and friendly opponent in this issue. This is not the first time we've been involved in this. Because of this issue, our association goes back to the years when I served in the House of Representatives and he is constant in his charge. I hope I have been equally constant in mine.

Mr. Chairman, in the interest of the time of the committee, I wonder if my prepared statement could be placed in the record in full.

The CHAIRMAN. Certainly it will be.

Senator McCLURE. Let me summarize simply in just a few brief words.

I believe in a monetary system that has both value and discipline and I would have preferred that we were talking about silver and gold used in the coinage and currency. For a variety of reasons this has not been the policy of our Government. I think one of the reasons we have had difficulty in recent years with the attempts to manage the monetary system are because of our failure to recognize the value of a currency and coinage system that has some intrinsic value and has some external discipline. However, that's not the subject of the hearing today.

SILVER SURPLUS DISPOSAL BY AUCTION OR SALE

The subject of the hearing today is whether or not the method of disposal of what has been declared to be surplus should be by auction sale or should be by coinage. I think history would indicate that the sale of bullion in the market has disrupted the market. I don't care what the Government has that may be in surplus to their need held in Government stocks, but when it's dumped on the market it adversely affects that market. Even in the absence of a sale its mere presence is disruptive to the market.

So whether it's silver or gold or corn or wheat, the presence of massive surpluses depresses the price and is a threat to the market and more importantly, a threat to the efforts of those who produce that commodity. If, indeed, there is any reason for us to be concerned, as I believe there is, about the availability of silver and the viability of the silver industry in this country during times of stress or threat to our country, then we should resolve the issue of whether or not there is surplus and get about doing what is best to dispose of that issue.

Finally, if indeed there is to be a sale of surplus silver, it seems to me that it ought to be for the benefit of the entire country in terms of maximizing the return to the Treasury, minimizing the disruption on the market, increasing the capacity to deal with the strategic and critical minerals that are in our Nation's stockpile, and in that latter regard I call attention to my prepared remarks to the GAO study that said the determination of surplus was inadequate in the first place and we ought to review that with considerations that are set forth in the GAO report.

Both DOD and FEMA responded to the GAO report and GAO looked at each of their responses and said that they had raised no issue that causes us to change our mind or our recommendation.

Finally, Mr. Chairman, if there is to be a sale, let's do it in that manner which does not disrupt the market and which does maximize the return to the Treasury without a windfall to those who are consumers of silver. I think the coinage bill meets every one of those criteria in a manner that's far superior to simply the auction of bullion. I hope that this committee will act favorably upon the legislation and then we'll test whether or not the critics of the proposal who say that there is not a market and that it cannot be developed are right or wrong. I'm confident that it can be developed, and with any kind of a merchandising it would be developed and be successful.

Let me address myself to the final issue that I think must be addressed. The Treasury Department is concerned that they don't have mint capacity to turn out an adequate quantity of high quality coins that would move well in the private markets for numismatic reasons or for bullion—wouldn't sell well if it is not good quality.

I believe, first of all, the mints are capable of doing excellent work. They've demonstrated that in the years in the past. I have visited the mints in the years in the past and have seen the work that they've been able to do, although they have not been called upon to do as much of it in recent years in some regards. But to the extent that the demands of the market would be in excess of the capacity of the Government mints, there's nothing at all to inhibit the possibility of contracting out the production in the private mints of this country. They also do excellent work that has been tested in the marketplace and are experts in the field of marketing. So I think there is an alternative that is readily available to the Government if indeed they wish to maximize the sale in the short term and maximize the return to the Treasury.

Thank you very much.

The CHAIRMAN. Thank you very much.

[The complete statement follows:]

TESTIMONY OF SENATOR JAMES A. McCLURE

Good morning. Mr. Chairman and members of the committee, thank you for providing me with the opportunity to testify before the committee today.

Your continued interest in the coinage program is important to the country and of great concern to me. I've always been a strong supporter of gold and silver coinage. I'm especially pleased with the success of both the Olympic and George Washington Commemorative coins and the new marketing program for the American Arts Gold Medallion coins.

Today, I will focus my testimony on past problems surrounding the reckless disposal of silver stored in the National Defense Stockpile. I will also discuss an alternative method of disposal that I believe is especially effective and efficient.

Currently, America's Defense Strategic Stockpile contains 137.5 million troy ounces of silver. The silver is stockpiled with 91 other critical minerals to insure our self-reliance and security in case of a national emergency.

In early 1981, the Reagan administration gained authority to sell off 150 million ounces of so-called "excess" silver. The administration's decision was based, in large part, on calculations made by the Federal Emergency Management Agency [FEMA]. FEMA claimed that even without the national stockpile, America already had an adequate silver supply to sustain it for 3 years—the level required by law.

Subsequently, I sponsored an amendment—that passed the Senate—to stop the wholesale disposal of the silver stockpile. The amendment called for the administration to further study all aspects of the sales program—including alternative methods of disposal—and report its findings to Congress. Also mandated by the amendment was a provision requiring congressional approval before any more silver was disposed.

Results from a study I asked the General Accounting Office (GAO) to perform are damning to the disposal of stockpile silver. In January 1982, their report concluded that FEMA's original calculations of America's emergency silver needs neglected several key considerations.

The detailed study by GAO identified demands for silver, during periods of national emergency, that had not previously been considered. In addition, it identified uncertainties relating to the availability of both foreign and domestic surpluses.

Finally, GAO said that *auctioning off the silver was not the best method of disposal.*

In February of this year, GAO issued another study: "Unresolved Issues Concerning the Disposal of the Stockpile." This report responded to letters by FEMA and the Department of Defense (DOD), who disagreed with some of the findings and recommendations by GAO.

GAO carefully analyzed these disagreements and concluded that, "in no instance did FEMA's or DOD's comments warrant revising our findings, conclusions, or recommendations."

In this report, GAO again indicated that auctioning the silver was fraught with many problems. Importantly, they mentioned that a bullion coinage program appeared "to be an attractive alternative that should be considered."

The report also stated: Effectively implemented, a coinage program would probably:

First, minimize or eliminate any short-term market price disruption by developing a new demand to offset the increased supply.

Second, would probably assure that the disposal is for domestic consumption by making the silver more attractive, affordable, and accessible to first-time investors, and

Third, would probably increase Federal revenues over selling the silver by auction.

GAO went so far as to ask Congress to consider requiring the Secretary of Treasury to conduct an appropriate study to develop a strategy to market bullion coins.

To date, the administration has still not released their report to Congress on the disposal of silver. However, it seems to me and to many of my colleagues that this administration, or another administration, will push ahead with the sale of silver.

If the further disposal of silver becomes necessary, it's important to insure that the Government receives the highest price possible for the silver. When the administration began to dispose of the stockpile silver in 1981, prices stood at $14.75 per troy ounce. However, after the auction began, prices plunged to $8.50 per troy ounce.

This careless dumping of stockpile silver on the market caused the price to fall. As a result, the total amount received for the silver was objectionably low. The drop in price also caused an unfair hardship for silver mines, since the price fell far below their break-even point. Miners were subsequently layed off.

It is painfully obvious that auctioning the silver should not be considered as a viable method of disposal. If the administration proposes—and if Congress ultimately authorizes—the sale of stockpile silver, I am convinced that it would be in the best interest of the American people and the economy to dispose of the stockpile silver by minting a silver-bearing coin.

Minting a silver-bearing coin has numerous advantages over auctioning silver.

First of all, the market for coins is separate from the international bullion market. If a coin is minted, the disposal of stockpile silver will not disrupt the bullion market, creating an oversupply that drives down the market price. In addition, because a silver coin will not cause the price of silver to fall, the total amount received for the sale of the stockpile silver will remain at a high level. Proceeds from the sale would then be deposited in the National Defense Stockpile Transaction Fund to purchase high-priority stockpile items.

Marketing a silver coin also has an advantage because it is responsive to market forces. Previously, even when the demand for silver was low, because of planned schedules, it was regularly offered for sale. Coins, on the other hand, would be available for purchase whenever the public was inclined to buy them.

Already, there exists a massive two-way private investment market composed of small-scale investors for 1-ounce silver ingots. In 1982 alone, Americans purchased nearly 23 million ounces of these ingots. The availability of a silver coin would offer an advantage over the market for ingots, since it would have legal tender status, and hence, greater liquidity.

The success of 1-ounce gold coins minted by various governments demonstrates that there is a vast market for precious metals. It's reasonable to assume that many people would be interested in a silver coin. In the U.S. last year, gold sales totaled 2.856 million troy ounces. Using the historic ratio of 32 million ounces of silver to 1 ounce of gold, last years gold sales is equivilent to 91 million troy ounces of silver.

While foreigners may be interested in acquiring a silver coin, the vast majority of the coins can be expected to remain in the hands of U.S. citizens. From a strategic point of view, the distribution of silver coins throughout America, in essence, would create a "walking stockpile." In other words, a large quantity of the silver, which is now in the strategic stockpile, would remain relatively accessible to the United States in case of a national emergency.

To insure the taxpayer receives the best deal if the stockpile silver is again disposed, and to protect silver miners from unfair hardship, I have introduced a coinage bill, Senate bill 269. The bill would use 90 million troy ounces of stockpile silver to mint a 1-ounce silver bullion coin designed for small investors and speculators, and 15 million ounces of silver to mint the old and very popular Morgan silver dollar. Because the coinage program proposed in this bill appeals to a different market, it would not directly compete with the Olympic or George Washington coins now being marketed. If the U.S. Mint does not have the capacity to produce these coins, I suggest contracting out to a private mint that does have the excess capacity.

I am deeply concerned about the stability of the silver market and the merits of all disposal methods. It's time for all of us to take a close look at the mistakes that occurred in the silver market in the past and carefully assess the steps we should take for the future.

Mr. Chairman, this concludes my testimony and I will be glad to answer any questions you may have. Thank you.

The CHAIRMAN. Senator Helms.

STATEMENT OF JESSE HELMS, U.S. SENATOR FROM NORTH CAROLINA

Senator HELMS. Mr. Chairman, I feel a little bit like a prodigal son in appearing before this distinguished committee this morning. I sat beside you on this committee for some years and admired your dedication. I want to compliment the manner in which you have been presiding over this committee during surely one of the most difficult times in the country's history. And I must be candid—from time to time, I have contemplated the possibility that I might have been chairman of the Banking Committee had I stayed on it. When I observe the demand upon your time I'm glad at various times that I left. But then I go to meetings of the Agriculture Committee which I chair and I find that we have as many problems as you have.

The CHAIRMAN. I must say to you that I'm glad I'm not chairman of the Agriculture Committee. I have absolutely no background or experience for that at all.

Senator HELMS. None is required to serve on it. [Laughter.]

In any case, Mr. Chairman, I looked at my blue schedule card, and I see that I'm supposed to be visiting at this moment with Chancellor Kohl. So with your indulgence, I will file my statement for the record and summarize it briefly.

SUPPORT BILL S. 42

Of course, I'm here for two reasons: To testify in support of my bill, S. 42, which is the American Gold Eagle Coin Act of 1983, but I also am glad to be here to lend support to whatever degree I can to my friend, Senator McClure, and his bill to issue silver dollars. That's a worthwhile measure and I urge the committee to act favorably on it. But I believe Ron Paul was here earlier this morning and as he perhaps stated, his measure in the House and mine in the Senate are roughly the same and we are going to bring them into conformity because, to be honest about it, he's got some features in his that are an improvement over mine.

Let me make five brief points on my bill and my reasons for sponsoring it. First, in an amendment to the American Arts and Gold Medallion program, there was some opposition from the Treasury Department. A compromise was reached which resulted in the program we have today.

The second point is the nature of the new gold eagle coin itself. It would be treated as a unit of currency for purposes of making transactions but it would not—repeat—would not have legal tender status.

The third point is that the people in the marketplace have spoken. They have said that they want a gold coin and by adopting this legislation we would be providing something as close as we can to what the people want.

Fourth, the bill provides for people to bring gold to the Treasury Department and exchange it for gold eagles. That means that the U.S. gold reserve would not be depleted beyond the limit of 10 million ounces provided for in the bill.

Fifth and finally, I know that there are other proposals for designs of such a coin and I don't have any objection whatsoever to anybody's design, although I think I ought to remind the committee—and I hope I'm not being ungallant in this—that the last time Congress tried to design a coin, it was the Susan B. Anthony dollar and we got the ugliest coin in history. Thank you, Mr. Chairman, and I appreciate your time.

[The complete statement follows:]

STATEMENT OF SENATOR JESSE HELMS

APRIL 15, 1983

SENATE COMMITTEE ON BANKING, HOUSING, AND URBAN AFFAIRS

Mr. Chairman: I appreciate the opportunity to testify in support of my bill, S. 42, the American Gold Eagle Coin Act of 1983. I am also a cosponsor of Senator McClure's bill to issue silver dollars. I believe that is a worthwhile measure and I urge the Committee to act favorably on it. I will, however, spend the short time I'll take on the Gold Eagle legislation.

Congressman Ron Paul and I have offered similar bills for consideration in the House and Senate on this topic. Congressman Paul's bill, H.R. 1663, was drafted later than mine and has improvements that should have been included in my bill. It is my intention to change mine to conform with the later language. The legislation we have sponsored is similar to that offered last year by Senator Jack Schmitt, but it has been modified to conform more closely with the wishes of the Gold Commission and the Treasury Department.

I'll just make five short points on the bill and on my reasons for sponsoring it.

First, this bill is an amendment to the American Arts Gold Medallion program presently under way. During the formulation of that legislation, there was considerable opposition from the Treasury Department and the compromise that was reached was the one we have today. I understand that the Treasury Department has taken a major step in getting rid of the present inventories of these medallions -- they are bringing in private sector experts -- the J. Aron Company -- to market the medallions. I believe that this will be successful, and we should do whatever we can to insure that success. What I would stress here is that this is not a new program. It is a reform in an existing one. It would not require new start-up appropriations, and in fact, may yield billions of dollars in income which would reduce the deficit.

The second point is the nature of the new gold Eagle Coin itself. It would be treated as a unit of currency for purposes of making transactions, but it would not have legal tender status. In other words, while we could make a contract denominated in Eagles, such a contract would be enforceable in the courts and the transaction free from sales taxes; much the same way as transfers of currency are free from taxes. The tax treatment of the new coin would make it a more attractive coin than the Krugerrand and other foreign gold coins, but it would also make the coins a possible alternative medium of exchange. I don't know if monetary policy is going to get on a roller coaster like it did in the 70's or not -- I certainly hope not -- but if it does, then people should have the right to an American gold alternative.

The third point, Mr. Chairman, is this: The people in the marketplace have spoken. They have said that they want a gold coin. By adopting this bill, we are providing something as close as we can to what the people want. Last year, over 6½ million ounces of gold coins were sold in the world, with a value of $2½ billion. The U.S. market alone was over $1 billion.

Fourthly, this bill provides that people can bring gold to the Treasury Department and exchange it for gold eagles. This means that the U.S. gold reserves will not have to be depleted beyond the limit of 10 million ounces provided for in the bill.

Fifth, I know that there are other proposals for designs for the coin. I don't have any objections to any specific designs, although I will remind the Committee that the last time Congress tried to design a coin -- the Susan B. Anthony dollar -- we got one of the ugliest coins in history.

In conclusion, I will say that this bill is an improvement over the present program. It probably is an overdue one.

The CHAIRMAN. Thank you very much, Senator. Before you leave, I don't know whether you remember the Susan B. Anthony coin, whether you were still on the committee, when for the back side of it we adopted the Eisenhower dollar. I was rude, I suppose, at the time because I looked at the design and I very sincerely could not figure out what the back of it was. And I asked, and they said it was an eagle. I responded, well, if it is, it looks a great deal more like a chicken to me, and so it was my amendment that at least put the back of the Eisenhower dollar on the Susan B. Anthony and got rid of the chicken. It was the sickest eagle I've ever seen in my life.

Senator MCCLURE. It should have been a turkey.

Senator HELMS. Mr. Chairman, in that case then, let me urge you to come over and serve on the Foreign Relations Committee.

The CHAIRMAN. I don't think I could cope with that.

Thank you, Senator McClure and Senator Helms. We appreciate both of you being here.

MARKET FOR SILVER BULLION COIN

Mr. Griffith, you state in your testimony that there is enough evidence of interest in the silver bullion coin to suggest that over a 5- or 6-year period the public could be expected to purchase the entire supply which would be made available through the minting of stockpiled silver.

Can you be a little more explicit about the evidence which suggests we could dispose of the 105 million ounces of silver in 5 or 6 years? Do you have any studies or marketing surveys to indicate that kind of consumer demand?

Mr. GRIFFITH. Senator Garn, I would not like to mislead you to think that I'm an expert on marketing. I'm not. I'm a miner.

The CHAIRMAN. Neither is the Treasury.

Mr. GRIFFITH. But experts with whom we have spoken, including J. Aron & Son who are now going to be marketing the gold coin that the Government unsuccessfully tried to market, and others who will testify after me today who are in the business of marketing coins, assure us that this is the case.

We've also seen tremendous indications of interest in the marketing of medallions and silver rounds by several of the mining companies where the demand has been substantial. Even in my own company where we made a very small medallion issue, the thing was sold out before we ever got it from the mint.

All of these things convince us that there is a market out there that can be developed and I think an important aspect of the market is that silver in coinage provides sort of a poor man's gold and has actually a broader market than gold because it can be made available at smaller denominations.

The CHAIRMAN. Mr. Krueger, you suggest that we shouldn't act without the administration's report which was originally scheduled to come out in July of last year. Do you have any idea which July of which year that report might be available?

Mr. KRUEGER. Sir, the Cabinet Council on Natural Resources and the Environment is working on that report. It has been assigned that responsibility by the President. We in FEMA have contributed to that report. I believe that it's in its final stages and hopefully it can be available by July of 1983.

COINING OF STOCKPILE SILVER MAY REQUIRE STATUTORY CHANGES

The CHAIRMAN. According to your testimony, coining of stockpile silver may require other statutory changes. What other changes might be required other than section 799(b) of the fiscal year 1983 joint resolution?

Mr. KRUEGER. I'm unaware of any major changes other than that. I think the bill as presently written does not guarantee that all of the profit goes to the Stockpile Transaction Fund. From a very narrow point of view, I would like to see that assured. But I think the major restriction is the restriction of 10 percent of domestic production.

The CHAIRMAN. Just the 799(b) section.

Would all three of you comment on the risk to the stockpile and the stockpile transfer transaction fund if we only allow the silver to be disposed through coinage and the coins don't sell? In other words, if we decide to go simply with coinage and the coins don't sell and what risks do you see to the stockpile and the Stockpile Transaction Fund?

Mr. GRIFFITH. Well, there's a definite risk if they don't sell and I would think in that case we've got, perhaps, to look at a combination of procedures. While the coinage sale is the preferred alternative in our view, it is not the only alternative.

Our main concern is that whatever method we employ be one that has the minimum adverse effect on the price, both for the benefit of the Government and for the protection of our industry.

In that connection, if I may say so, there's one very important point that I would like to emphasize that's already been mentioned in passing by Senator McClure. In dealing with the price of silver, we're not dealing with the price as determined by supply and demand solely, because silver is both a monetary and an industrial metal, and the price is determined largely by the monetary speculators. This means that there doesn't have to be physical sale to depress the price, but simply an anticipation of that sale. And it is this kind of thing that has to be considered when trying to develop a means of disposal that protects against severe price depression.

The CHAIRMAN. Any further comments on that point, Mr. Frankland?

SILVER DECLARED SURPLUS

Mr. FRANKLAND. Mr. Chairman, I think your question pinpoints a serious concern which is that for years—some 9 years to be exact—silver has been declared surplus. This question has been studied and restudied. GAO has had I don't know how many reports. And each time this comes up, there is a confirmation that it is surplus. I think Congress has acknowledged that fact with the Omnibus Reconciliation Act of 1981. Also, Senator McClure indicates the same with his reasoning that maybe you could limit the amount of sales to 10 percent of domestic production.

So I think it's established that silver is surplus. I think that the defense transaction fund should be boosted in order to improve the status of that fund and we believe that a sale to go along perhaps parallel with the will of the Congress to have a coin.

One of the items mentioned by Senator McClure refers to the word "disruption." In all of these years across the aisle from him—across the table, I should say--I'm on the same side of their aisle with him, frankly—but the term "disruption" is always used to describe that aspect of the market when the price is going down. If the price is going up, there is no talk of disruption in the market. It's hard for me to grasp frankly why you worry too much about the downward side of the market, especially when it's helping the consumer. And for an inference that consumers might benefit here, I guess I don't even need to comment any further on that. I think that in any of these sales programs that we've had, the Government has received top dollar for silver at the time and very, very seldom has there been any differential to amount to anything from what the market price is on that day or that week. I think Mr. Griffith has indicated the speculative effort, investment demand side of the market, and the exaggerated publicity on what is in fact demand, what is in fact availability of silver are the things we have to contend with all the time.

So I would certainly think that the two programs can run together—at least one could operate now—a sales program. A lot of people advocate the sale of the coin, so try it and see how it goes. Last year estimates are that worldwide, only 11 million ounces were used in coinage effort, most of those being commemoratives of some sort. The year before that it was the lowest it had been in history, about 9 million ounces. So I think this is a serious concern and your question focused right on it.

[Additional data supplied for the record by Mr. Frankland follows:]

May 3, 1983

Reference: S-269

SILVER USERS ASSOCIATION **1717 K ST., NW—WASHINGTON, D. C.—20006—(202)785-3050**

The Honorable Jake Garn
Chairman, Senate Banking Committee
Dirksen Building, Room 534
Washington, D.C. 20510

Dear Senator Garn:

During the hearings on the coinage proposal, S-269, you suggested that the record remain open to receive further clarification where appropriate. The Silver Users Association, with this letter, requests that certain facts be clarified as follows:

Price range during the last disposal of silver by GSA

(October 14, - December 16, 1981)

Date of First Offering:	Oct. 14, 1981	Price:(H&H)	$9.53 per oz.
Date of First Actual Sale: (160,000 oz.)	Oct. 14, 1981	Price:	$9.33 -$9.41
Date of Last Actual Sale: (1,128,000 oz.)	Nov. 4, 1981	Price:	$9.024 -$9.105
Date of Last Offering:	Dec. 16, 1981	Price:	$8.61

When the silver sales by GSA were terminated (December 16, 1981), the New York price of $8.61, was some 30 cents above the low of $8.30, which existed in August, about two months before the sales began. At no time during the 1981 sale was the silver price higher than $9.63, per ounce. Due to a worldwide recession and better alternate investments, silver prices throughout 1981 were in a downward trend, with the high established on January 6, at $16.45. After January, silver prices were never higher than $14.05 in New York. Silver prices reached a new low for the '80's, more than seven months after the last GSA sale.

Sincerely,

Walter L. Frankland, Jr.
Executive Vice President

WLF/bn

This mark is a mediaeval alchemist's symbol for silver. The modern chemical symbol is Ag, the atomic number 47.

The CHAIRMAN. Well, I support both bills. My problem is the Treasury's attitude more than anything else and I have had a lot of experience over the Olympic coin bill that we went through and you know how psychology is, if you say something is wrong and you shouldn't do it and you can't do it, you won't do it. Treasury has an incredibly negative attitude. I haven't looked at their testimony yet, but I can't imagine they have changed their stripes since the last time they were in to talk about coins. They don't like to do it. They don't want to do it. They have no background or experience in marketing. We went through a very large battle over that issue, whether they could market the Olympic coin or whether we should have it marketed outside by private interests. So that's a major hurdle to be overcome. It's just the attitude of the Treasury Department and what they want to do.

IF COINS DON'T SELL?

That's why I asked the questions about if the coins don't sell, is there some danger to the stockpile. Do you have any opinions just on that part of it, Mr. Krueger?

Mr. KRUEGER. I think, once again from the narrow point of view of the stockpile, that some silver disposal and allowing that money to be used to purchase needed strategic materials, is much better than selling none at all. I would mention that if the coin program proved unsuccessful, Congress could look at additional methods of disposal.

The CHAIRMAN. Is it possible to meet our goals for chromium and cobalt, platinum and other materials if we do not obtain revenue from the sale of silver and provide money for buying those other highly needed stockpile items?

Mr. KRUEGER. I think that there are four commodities in excess valued at something over $4 billion. Of these, silver has the largest value. We cannot make any meaningful effort to address our stockpile deficiencies unless we have the money available from silver disposal.

The CHAIRMAN. Gentlemen, we certainly appreciate your testimony today. Do you have any further comments you wish to make?

Mr. GRIFFITH. Senator Garn, if I might, I would like to make a suggestion that when you think about disposing of silver in order to buy other commodities, and we're concerned about the rapidity with which we're able to dispose of silver, we also keep in mind that in purchasing other commodities—cobalt, for example—we aren't going to want to dive into that market head first either and disrupt that market and end up purchasing it at the peak of the market, as so often has happened in Government stockpile transactions. So the urgency of disposing of all the silver quickly isn't as real as some might believe.

The CHAIRMAN. I understand. There may be additional questions for your response in writing, but we very much appreciate your willingness to come and testify today. Thank you very much.

Next, if we could have the second panel come up, Mr. Wilde, Mr. Vigdor, Mrs. Busiek. Mr. Wilde, would you like to begin, please?

STATEMENT OF ADNA WILDE, PRESIDENT, AMERICAN NUMISMATIC ASSOCIATION, COLORADO SPRINGS, COLO.

Mr. WILDE. Thank you, Senator Garn.

[The complete statement follows:]

STATEMENT OF ADNA G. WILDE, JR., PRESIDENT OF THE AMERICAN NUMISMATIC ASSOCIATION AT HEARING BEFORE THE SENATE COMMITTEE ON BANKING, HOUSING AND URBAN AFFAIRS AT WASHINGTON, D.C., ON THE FIFTEETH DAY OF APRIL, 1983.

The American Numismatic Association is an educational and non-profit organization. It is the largest and most active numismatic body in the world. The association offers membership to persons who have a sincere interest in numismatics, whether they collect coins, paper money, tokens, or medals; whether advanced collectors or those who have a general interest in the subject without being collectors. The association was founded in 1891 and has more than 40,000 members from every state in the Union and many foreign countries. It was chartered for 50 years by an Act of Congress, dated May 9, 1912; renewed in perpetuity by an Act of Congress, on April 10, 1962; and is a mutual organization for the benefit of its members.

The American Numismatic Association is headquartered on the campus of Colorado College in Colorado Springs, Colorado. The association employs a staff of 45, many of whom are experts in the field of numismatics.

The governing board of the American Numismatic Association consists of seven governors, elected at large, and a vice-president and president. I serve as the president of the association and it is in this capacity that I appear before you today.

Mr. Chairman and members of the Senate Committe on Banking, Housing and Urban Affairs. I am pleased to be here today to express my views with respect to S.42, the "American Gold Eagle Coin Act of 1983," and S.269, which provides for the disposal of silver from the National Defense Stockpile through the issuance of silver coins. Both bills are of great import to the nation and of great interest to collectors.

First, I would like to address S.42. In support of the bill I would like to say that it would afford American citizens the opportunity to purchase gold in quantities that any person can afford, in lieu of purchasing like amounts from foreign sources. Annually millions of dollars are added to the imbalance of payments through the purchase of South African Krugerrands, Canadian Maple Leaf, Mexican Centennarios, even Pandas from the People's Republic of China. This Act will help stem the flow of American dollars overseas. But --

There are two areas of concern that I have spoken on before, at the House Banking Subcommittee on Consumer Affairs and Coinage, last September, which I pointed out that the name "Eagle" can lead to a great deal of confusion. The Act calls for the eagle to have a gold content of one fine troy ounce and the coin will approximate the size and design of the 1908 double eagle. I feel that there will be unnecessary confusion in giving the name "eagle" to a coin that has always been known by its size, weight and denomination as a "double eagle." The name "eagle" has been synonymous with the ten-dollar gold piece since the denomination was introduced in 1795. Yet, this legislation calls for the ten-dollar gold piece to now be called a "half eagle."

Secondly, Section 402(c) called for the obverse to have the design of the 1908 double eagle. I would like to point out that the ring of stars that compose the border of the design number only 46, the number of states in the Union at the time the design was introduced. Hopefully this point will not be overlooked.

As for S.269, a bill to provide for the disposal of silver from the National Defense Stockpile through the issuance of silver coins, I can well appreciate the rationale of trying to dispose of our surplus silver in this manner. The huge bulk sales of the past have only contributed to a decrease in the price of silver, thus earning the government a smaller return on its silver. To sell this silver in one ounce units is not only understandable but is desirable at least from the collector viewpoint. By creating two series of issue is it the bills intent to create a collector coin, namely the " Morgan" dollar and a trade coin, namely the silver Liberty design selected by the Secretary of the Treasury.

I note that the bill calls for proof and uncirculated specimens to be produced only of the "Morgan" series and there is no mention of proofs of the second series. I can assure you that collectors would be interested in both series and I believe that it would be a mistake to overlook the collector potential of the second series.

I support the legislation calling for the coins to be dated annually and I cannot emphasize enough our support for the sections of both bills which call for the coins to be sold through banks, other institutions and retailers for distribution to the public. The government cannot successfully distribute these if the sale is to be in the same manner as the original offerings of the American Art Medallions which were struck by the United States Mint in weights of one half ounce and one ounce, but sold through a most cumbersome procedure that involved phone calls, visits to the post office and delays in delivery of up to eight weeks after purchase. I cannot emphasize enough that to be successful, the sale and delivery of both the silver coins and the gold coins cannot be made more difficult than the competing issues of foreign governments.

I do not believe that the silver issues will conflict or detract from the sale of the United States Olympic Coins. One should compliment the other. As interest in the new issues by the United States Mint grows, there will be a corresponding collector demand. However, I do believe that the integrity of the United States issues must be maintained and that stronger legislation be enacted to protect the U.S. issues against private issues that are made in similitude of the U.S. designs and purported to be quasi-official issues. Stronger legislation must be considered to protect the designs and devices that appear on United States issues.

RECOMMENDATIONS

1. That in S.42 that the proposed coin be named the same as its predecessors that were once in circulation - double eagle for the full troy ounce and eagle for the one half ounce.

2. That the proposed design be modified to recognize the fifty states in the union and that in the future, when designs are considered, that the American Numismatic Association be consulted and that a qualified numismatist be considered as a member of the Commission of Fine Arts.

3. That the sale and distribution of the coin under these proposed bills not be incumbered with procedures similar to those necessary to purchase gold under previous legislation enacted under the American Arts Gold Medallion Series.

4. That the designs and devices that appear on the coin and medal issues of the United States Mint be protected by law.

Thank you for the privilege to speak for the American Numismatic Association and the collectors of the United States. We stand ready to support this legislation.

Mr. WILDE. I have an advertisement right here in my hand that purports to sell U.S. half-dollar type and silver dollar proof coins. The design is here. One shows the head of Washington. It has the word "liberty" on it. It has the words "In God we trust." It has the date and on the reverse side you will find "One Half Dollar" and then you will find "E Pluribus Unum." The only thing you don't find is "United States of America."

To the uninitiated, they may buy this thinking they have purchased a U.S. mint coin. I would like to see that this type of sale be tightened down where that could not be bought by the uninitiated public.

The CHAIRMAN. Thank you, Mr. Wilde.

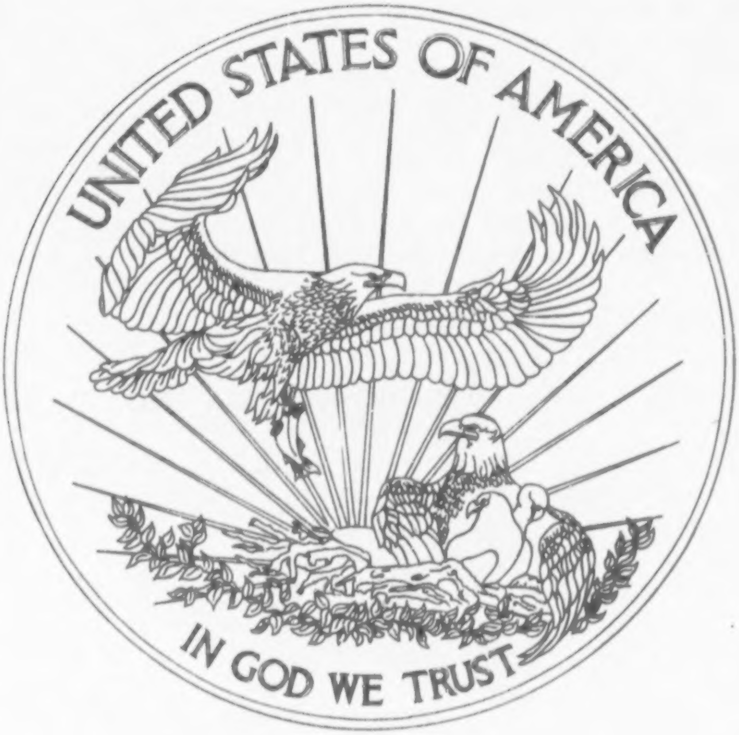
Mrs. Busiek.

STATEMENT OF MRS. GEORGE BUSIEK, COIN DESIGNER, DALLAS, TEX.

Mrs. BUSIEK. I would like to request that the entire brief statement and the letters that is a representative sample of nonpartisan endorsement be made part of the record.

The CHAIRMAN. They will be made part of the record.

[The complete statement follows:]


UNITED STATES OF AMERICA
IN GOD WE TRUST

SYMBOLIC TRIBUTE
TO THE AMERICAN FAMILY,
SENIOR CITIZENS AND YOUNG PEOPLE.

Our strength
Our most valuable asset
Our hope for the future

Submitted:

April 15, 1983

Honorable Jake Garn, Chairman
United States Senate
Committee on Banking, Housing and
Urban Affairs
Washinton, D.C. 20510

Testimony Offered by
Mrs. George Busiek
Friday, April 15, 1983

Subject: S.42, the 98th Congressional version of the American Gold Eagle bill, introduced by Senator Jesse Helms

Mr. Chairman, Ladies and Gentlemen:

I am deeply grateful and honored to have this opportunity to speak to you on behalf of the coin design I have offered for use on the AMERICAN EAGLE GOLD COIN proposed by S.42, introduced by the Honorable Jesse Helms.

I am truly convinced that you, this distingished body and your collegues in Congress, possess the wisdom and courage to lead our nation to a solution of this complex economic crisis and, as in the case of a critically ill patient, we trust the physician to perform the necessary surgery and administer the proper medication. It is a proven fact, however, that the will to live and the strength to survive comes from the spirit within and this desire can be greatly influenced and nurtured by loving, caring family and friends.

That is why I am here today. You are the leaders and I am simply a citizen of this great nation. May this humble symbolic tribute in a place of high and lasting significance for all the world to see, represent you, our leadership, and all the caring citizens. As the painful economic recovery process begins, this symbol can be a means of reaching out a hand to a lonely senior citizen, a man without a job, or an angry teenager questioning the future, to say, "you are top priority, we care about you, take heart for there is hope!"

That tiny space on the surface of a solid gold coin could carry a powerful message. I urge you to sieze this timely opportunity to give honor and encouragement to our families, senior citizens and young people as well as a timeless message of hope and strength, unity of purpose and optimism for the future that is our great heritage and example for the entire world.

Submitted:

April 15, 1983

Honorable Jake Garn, Chairman
Testimony Offered by
Mrs. George Busiek
Friday, April 15, 1983

I would like to offer this design as a gift to the United States Government on a totally unconditional basis with no desire for renumeration or personal recognition.

This design is accompanied by letters of endorsement from a sample bipartisan cross section of distinguished citizens in order to show the enthusiastic reaction from the people it will represent. In addition, I have been told by bankers and numismatic experts that the design's symbolism on a U.S. gold coin would greatly enhance it's marketability and cause it to be highly sought after as an investment, collector's item and a gift for presentations and special occasions such as birthdays, anniversaries, Bar Mitzvahs, graduations, Mother's Day, Father's Day, Christmas, etc.

I am making this proposal to you as a private citizen and my motivation is purely one of patriotism and desire to be of service in affirming and encouraging the people of our great nation.

It is my pleasure to place this design into the hands of the most capable and talented Ms. Elizabeth Jones, the Chief Sculptor and Engraver of the U.S. Mint, for further development if, at which time it is indeed adopted as the reverse design for the American Gold Coin.

Thank you very much for the privilege of this opportunity.

Mrs George S Busiek
Mrs. George S. Busiek

Copies of the following letters of endorsement
are available:

I. Political Organizations:

Dallas County Democratic, Chairman
Dallas County Republican, Chairman
Dallas County Young Democrates, President
Dallas County Young Republicans, President
Republican National Committee, Chairman
Govenor of Texas, Bill Clements
Mayor of Dallas, Jack Evans

II. Civic and Religious Groups:

Boy Scouts of America,
  National Eagle Scout Assoc., Director
AF of L - CIO, Dallas County Director
Highland Park Independent School District, Superintendent
Dallas Museum of Natural History, Director and Curator
PWL, Dallas County (minorty political organizations)
Catholic Diocese of Dallas, Bishop of Dallas
The Reverenc Canon, Episcopal Diocese of Dallas
Highland Park Presbyterian Church, Rev. Clayton Bell
Jewish Federation of Greater Dallas, Ex. Director
Dallas Theological Seminary, Dean
Christian Concern Foundation

III. Distinguished Citizens:

Trammell Crow
Nelson Bunker Hunt
Dan L. Williams, Southland Financial Corp.
Jodie Thompson, Southland Corp.
Bill Mead, Cambell Taggart
Lee R. Slaughter, Jr.
Mary Crowley, Home Interiors, Inc.
George L. Clark, Mercantile National Bank
Ruy C. Coffee, Jr.
Mrs. William A. Custard
Dr. Henry B. Mobley

and numerous others

OFFICE OF THE GOVERNOR
STATE CAPITOL
AUSTIN, TEXAS 78711

MARK WHITE
GOVERNOR

April 13, 1983

The Honorable Frank Annunzio, Chairman
Subcommittee on Consumer Affairs and Coinage
Committee on Banking, Finance and Urban Affairs
Room 212, House Office Building Annex No. 1
Washington, D.C. 20515

Dear Representative Annunzio:

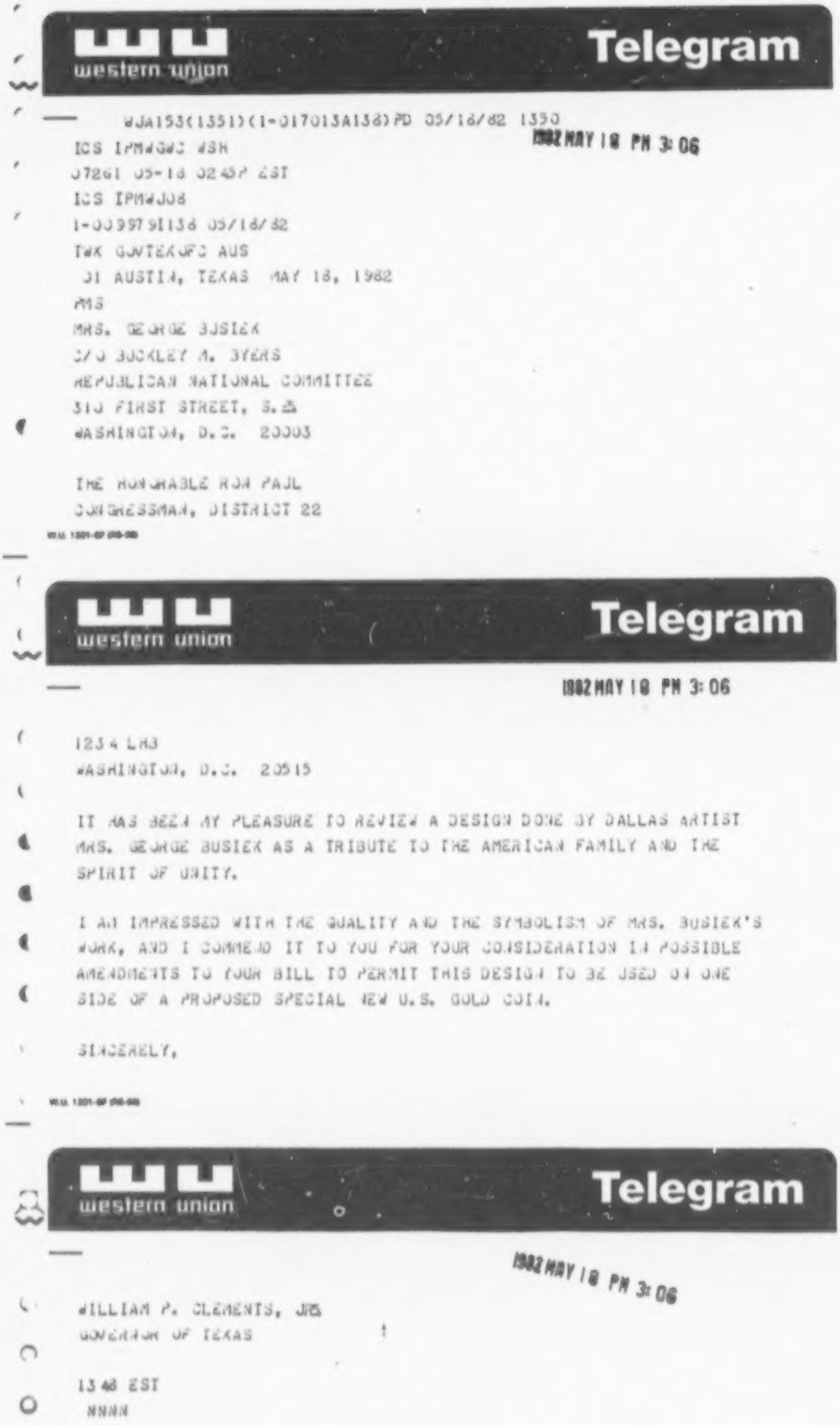
It is my understanding the Subcommittee on Consumer Affairs and Coinage of the Committee on Banking, Finance and Urban Affairs is considering legislation authorizing the U.S. Mint to mint a new American gold coin.

I bring to your attention a design for the reverse side of this coin done by Mrs. George Busiek of Dallas, Texas. Mrs. Busiek's design is a symbolic tribute to the American family, senior citizens, and young people, and it would be highly fitting and appropriate on the proposed gold coin. I request that you give serious consideration to Mrs. Busiek's design.

Sincerely,

Pike Powers

Pike Powers
Executive Assistant to
Governor Mark White



western union Telegram

WJA153(1351)(1-017013A138)PD 05/18/82 1350
1982 MAY 18 PM 3:06
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07261 05-18 0245P EST
ICS IPMWJOB
1-009979I138 05/18/82
TWX GOVTEXOFC AUS
01 AUSTIN, TEXAS MAY 18, 1982
PMS
MRS. GEORGE BUSIEK
C/O BUCKLEY M. BYERS
REPUBLICAN NATIONAL COMMITTEE
310 FIRST STREET, S.E.
WASHINGTON, D.C. 20003

THE HONORABLE RON PAUL
CONGRESSMAN, DISTRICT 22

western union Telegram

1982 MAY 18 PM 3:06

1234 LHB
WASHINGTON, D.C. 20515

IT HAS BEEN MY PLEASURE TO REVIEW A DESIGN DONE BY DALLAS ARTIST MRS. GEORGE BUSIEK AS A TRIBUTE TO THE AMERICAN FAMILY AND THE SPIRIT OF UNITY.

I AM IMPRESSED WITH THE QUALITY AND THE SYMBOLISM OF MRS. BUSIEK'S WORK, AND I COMMEND IT TO YOU FOR YOUR CONSIDERATION IN POSSIBLE AMENDMENTS TO YOUR BILL TO PERMIT THIS DESIGN TO BE USED ON ONE SIDE OF A PROPOSED SPECIAL NEW U.S. GOLD COIN.

SINCERELY,

western union Telegram

1982 MAY 18 PM 3:06

WILLIAM P. CLEMENTS, JR.
GOVERNOR OF TEXAS

1348 EST
NNNN

THE HONORABLE RONALD PAUL

JACK W EVANS
MAYOR
CITY OF DALLAS 75201

May 17, 1982

Dear Congressman Paul:

In regard to your bill providing for the minting of a gold coin, I would like to request that you amend the bill so that the design submitted by Mrs. George Busick be considered for use as a symbolic tribute to the American family.

The design is being offered by Mrs. Busick as a patriotic gesture on a bipartisan basis on behalf of the Senior Citizens, young people and caring citizens of Dallas at a time when encouragement, hope and unity of purpose is vital to our nation's spirit.

JACK W. EVANS
Mayor

nh

David Carlock
County Chairman

Dr. Jesse Jones
Secretary

Dallas County Democratic Party

May 12, 1982

Honorable Frank Annunzio
Chairman
Consumer Affairs and Coinage Committee
United States House of Representatives
Washington, D.C. 20515

Dear Chairman Annunzio:

As Chair of the Democratic Party of Dallas County, Texas, I request that you consider the amendment of the bill for the proposed gold coin.

The design submitted to you has been created by Ms. Miley Busiek in special tribute to the senior citizens and young people of the United States of America.

Your assistance in this matter is greatly appreciated.

Sincerely,

David Carlock

David Carlock

DC:snl

One Turtle Creek Village / Suite 514 / Dallas, Texas 75219 / 214-521-4030

Republican
Party
OF DALLAS COUNTY

5010 GREENVILLE AVE. SUITE 101
DALLAS, TEXAS 75206
(214) 369-9555

May 17, 1982

The Honorable Ronald Paul
Washington, D. C.

Dear Congressman Paul:

Please accept this letter as our request that you amend your bill to allow the design by Mrs. George Busik to be considered for one side of the proposed gold coin. The design is a symbolic tribute to the American family.

Thank you in advance for your consideration.

Very truly yours,

Frederick R. Meyer

FREDERICK R. MEYER COUNTY CHAIRMAN 3100 SOUTHLAND CENTER DALLAS, TEXAS 75201

May 17, 1982

The Honorable Ronald Paul
1234 LHOB
Washington, D. C. 20515

Dear Congressman Paul:

As President of the Park Cities Republican Women's Club I support the modification of your legislation to mint a gold coin designed to represent the American family. The family unit has always been one of the greatest pillars of our country and recognition of this traditional value is most appropriate at this time of increasing numbers of divided families.

Miley Busiek, the designer of the Republican Eagle, is a most accomplished artist. Her sketches of the mother eagle and its babies depict the spirit of motherhood and the family in a most patriotic manner.

I am truly delighted at the prospect of the forthcoming issuance of this very special gold coin and I'm hopeful Miley Busiek's design proposal of the mother eagle and baby eaglets will receive your careful consideration.

Sincerely yours,

Jan Pickens

Jan Pickens
President Park Cities Republican
Womens Club

The Honorable Frank Annunzio
Washington, D.C.

May 15, '82

Dear Congressman Annunzio,

The youth of this nation need to become more aware of the events which affect their lives and need to be encouraged to act upon these events. As a young person, I have seen great apathy among young people because they felt that their participation in our society would not have any effect upon the decisions which our society has made. The proposed gold coin, in honor of young people, I feel will cause many youths to realize that the nation does care about their participation and will give young people a reason to get involved in the decision-making process. I strongly encourage you to accept the proposed gold coin as a first step to getting the young people of this great nation involved in the events which affect all of us.

Sincerely,

Todd E Sills
President of Young Democrats of SMU
Precinct Chair 1123 of Dallas

DALLAS COUNTY YOUNG REPUBLICANS

May 12, 1982

Dear Sirs:

During these times of uncertainty, inflation, conflict,& indecision, around the world, I wholeheartedly support the Hon. Ronald E. Paul and the Hon. Daniel B. Crane's effort to provide for the minting of United States gold coins. I also feel it is essencial the artist's design and interpretation be positive and forceful on these future coins. Miley Busiek's design, "Together A New Begining", is symbolic of both.

Please join with me in supporting this wortwhile goal, which is bipartisan, and transcends selfish and singular personal motives.

Your consideration is sincerely appreciated.

Respectfully yours,

Stacy C. Notley
President

SCN/ns

5010 Greenville Avenue Dallas, Texas [illegible]

PVL

Democratic Progressive Voters League

May 18, 1982

The Honorable Frank Annunzio
Sub-Committee on Consumer Affairs and Coinage
House of Representatives
Washington, D. C. 20515

Dear Congressman Annunzio:

We would appreciate your consideration of Mrs. George Busick's design for the United States gold coin which the government plans to mint.

The Progressive Voters League is one of Dallas' oldest organizations, established in 1936 to work in the minority community. Our group is composed of 300 members who are active in voter education and registration throughout the community. We believe that Mrs. Busick's design would represent the ideals of groups such as ours throughout the country.

Sincerely,

Frances Dirks

Frances Dirks

6139 Moonglow • Dallas, Texas 75241 • (214) 376-1660

DALLAS AFL-CIO

2011 Cedar Springs • Room 105
DALLAS, TEXAS 75201

742-9246

WILLIE CHAPMAN
SECRETARY-TREASURER

May 18, 1982

Rep. Frank Annunzio
2303 Rayburn House Office Bldg.
Washington, D.C. 20515

Dear Congressman Annunzio:

I recently visited with Ms. George Busiek concerning her efforts to emphasize the importance of the American family through a coin design symbolic of the family. I certainly feel it is essential the the importance of the family is stressed by our leaders. The suggested design would certainly accomplish this end.

Hopefully, you will lend an attentive ear to Ms. Busiek.

Sincerely,

Willie

Willie Chapman
Secretary-Treasurer

WC:elv

SCME #2444
afl-cio

SCOUTING/USA

A program for Cub Scouts, Boy Scouts, and Explorers

National Office
BOY SCOUTS OF AMERICA

1325 Walnut Hill Lane, Irving, Texas 75062-1296
Telephone 214 659-2000

May 26, 1982

The Honorable Ronald Paul
House of Representatives
Washington D.C.

Dear Congressman Paul:

I had the pleasure to see the proposed design for a gold coin prepared by Mrs. George Busiek. I was impressed by the fact that she captured the American Bald Eagle in an appropriate design, symbolic of the American family.

There has never been a time in our history when a focus on the family was more needed. The proposed coin places focus on patriotism as well as on the strength of the family.

I commend you for your efforts on the required legislation to develop this gold coin and heartily endorse the design presented by Mrs. Busiek.

Sincerely,

R. R. "Bob" Pomeroy
Director
National Eagle Scout Association

dr

cc: The White House
C/O Bobby Thompson
Senator Harrison Schmitt
Senator Roger Jepsen
Congressman Daniel Crane
Congressman Ron Paul

WALTER M. SPRADLEY
PRESIDENT
ELGIN W. WARE, JR., M.D.
VICE PRESIDENT
JOHN E. EISENLOHR, M.D.
SECRETARY
DARRELL M. LAFITTE
FINANCE OFFICER
JACK H. DAVIS
ROBERT M. REED
MRS. DUFFIELD SMITH, JR.

Highland Park Independent School District
7015 WESTCHESTER DRIVE
DALLAS, TEXAS 75205
(214) 521-4103

WINSTON C. POWER, JR., PH.D.
SUPERINTENDENT
W. EVERETT HART
ASST. SUPERINTENDENT FOR INSTRUCTION
BUDDY C. BYRD
BUSINESS MANAGER

May 13, 1982

The Honorable Ronald Paul
House of Representatives
Washington, D. C.

Dear Congressman Paul:

As an individual and as a public school administrator, I am pleased to endorse the modification of your legislation to mint a gold coin which will utilize a design recognizing the American family. I believe that this symbolic gesture is both appropriate and necessary and will be appreciated by the majority of Americans who feel that traditional values and the family status are threatened by many of today's trends and influences.

I have reviewed a proposal of a design by Mrs. George Busiek which I am delighted to endorse as it captures the spirit of the American family and its nurturing of its youth. I am pleased to join the others who have seen this proposal in encouraging you to accept this as a design for this upcoming gold coin to be issued. On behalf of the children and families we mutually serve, I applaud the efforts of you and Mrs. Busiek in getting this mission carried out.

Yours very truly,

Winston C. Power, Jr.
Superintendent

WCP/mtb

ARCH H. McCULLOCH MIDDLE SCHOOL
HIGHLAND PARK INDEPENDENT SCHOOL DISTRICT
3520 NORMANDY
DALLAS, TEXAS 75205

CECIL R. FLOYD
PRINCIPAL

LOUIS E. POWERS
ASSISTANT PRINCIPAL

March 21, 1983

The Honorable Ron Paul MC
Room 1234
Longworth House Office Building
Washington, D.C. 20515

Dear Representative Paul,

It has come to the attention of the McCulloch Middle School Student Council that Miley Busiek has submitted a design for the United States Gold Coin under consideration by Congress for minting by the U.S. Treasury. Mrs. Busiek is a well-known sculptress that lives and has children in our school district.

Mrs. Busiek has presented the design to our council and we support her ideas that this design should represent the American family. It is our desire that should Congress pass the Gold Coin Amendment, that you and the members of your committee will give Mrs. Busiek's design every consideration.

Respectfully submitted,

McCulloch Middle School Student Council
Amy Coffey, President

Dallas Museum of Art

April 12, 1983

Honorable Jake Garn
United States Senate
Committee on Banking, Housing & Urban Affairs
Washington, D.C. 20510

RE: U.S. Senate Bill # S-42

Dear Senator Garn:

I know that Myley Busiek will be appearing before your Committee to present designs for an American Eagle Gold Coin.

I have seen Mrs. Busiek's work and feel that she is a most competent designer and worthy of your careful consideration. Her heart is certainly in this project and I know that her enthusiasm and dedication will be prime assets in the execution of the commission.

Yours sincerely,

Harry S Parker

Harry S. Parker III
Director

HSP/acs

P.O. BOX 26250 DALLAS TEXAS 75226-0250 TELEPHONE AREA CODE 214 421-4187

DALLAS MUSEUM OF NATURAL HISTORY
FAIR PARK BOX 26193 DALLAS, TEXAS 75226 214/421-2169

The President
The White House

Dear Mr. President:

On behalf of the Dallas Museum of Natural History, I would like to personally express my excitement at being a part of Mrs. Miley Busiek's Bald Eagle artwork.

The American Bald Eagle is a majestic "bird of freedom," and the artwork of Mrs. Busiek so well captures and communicates this.

Mrs. Busiek's family group of eagles is aesthetically and scientifically sound. This results in the high quality of this piece of art.

This year, marking the 200th anniversary of the bald eagle's being chosen as our nation's symbol, really makes the eagle artwork appropriate to commemorate this all-American bird.

Sincerely,

Louis F. Gorr
Director

LFG:jh

OPERATED BY THE CITY OF DALLAS SUPPORTED BY THE DALLAS MUSEUM OF NATURAL HISTORY ASSOCIATION
ACCREDITED BY THE AMERICAN ASSOCIATION OF MUSEUMS

DALLAS MUSEUM OF NATURAL HISTORY
FAIR PARK BOX 26193 DALLAS, TEXAS 75226 214/421-2169

The President
The White House

My Dear Mr. President:

Having worked with Mrs. Miley Busiek as a consultant, I can unequivocally state that her artistic work, for the discerning viewer, is outstanding without exception.

The eagle artwork is sound aesthetically and scientifically, which accounts for the high quality of this particular piece of art.

With this work, Mrs. Busiek has captured and communicated the beauty, power, and freedom of our nation's symbol, the Bald Eagle.

Sincerely,

Steve R. Runnels

Steve R. Runnels
Curator of Ornithology

SRR:jh

OPERATED BY THE CITY OF DALLAS SUPPORTED BY THE DALLAS MUSEUM OF NATURAL HISTORY ASSOCIATION

CHANCERY OFFICE

Diocese of Dallas

3915 LEMMON AVENUE
POST OFFICE BOX 19507, DALLAS, TEXAS 75219

May 27, 1982

Congressman Frank Annunzio
House of Representatives
Office Building
Washington, D.C. 20005

Dear Congressman Annunzia:

As bishop of the Catholic Diocese of Dallas, I wish to endorse the "Symbolic Tribute to The American Family" designed by Mrs. George S. Busiek and proposed for use on one side of the United States Gold Coin.

At a time when family life in our country is threatened from so many destructive forces on every side, I think it would be a great tribute to the American Family and an encouragement to parents and children if this design were used on a Golden Coin.

I fully endorse its use.

Cordially yours,

Thomas Tschoepe

Thomas Tschoepe
Bishop of Dallas

cc: The White House
C/O Bobby Thompson
Senator Harrison Schmitt
Senator Roger Jepsen
Congressman Daniel Crane
Congressman Ron Paul

Office of the Bishop — 528-2240 • Accounting & Bldg Commission — 528-7500 • Tribunal — 528-2970 • Information — 528-2520
A/C 214

THE REVEREND CANON DONALD HENNING
6106 DEL ROY DRIVE
DALLAS, TEXAS 75230

May 17, 1982

The President of the United States
The White House
Washington, D. C.

My dear Mr. President,

It is my pleasure to write this brief note in the interest of Miley Busiek (Mrs. George) of Dallas, who is presenting her concept for a gold coin to be produced by the United State Mint sometime in the future.

Miley is a fine young artist, as I feel her work will attest, as well as a deeply committed Christian wife and mother. Her design for the proposed coin underlines her profound belief in the centrality of the Home in the American way of life.

It is my understanding that an Amendment to the Bill authorizing the coin will be necessary to allow other than Mint personnel to design it. Along with the scores of others who have seen Miley's proposal, I hope this may be effected.

With warmest personal best wishes, and in the hope that Mrs. Busiek's design may be considered, I am,

Sincerely yours,

Donald Henning
Donald Henning

DH/ls

B. Clayton Bell

May 11, 1982

The Honorable Ronald Paul
House of Representatives
Washington, D. C.

Dear Sir:

I understand that you have submitted a bill asking for a gold coin to be minted.

I am writing to ask you to please allow your bill to be amended so that a special design for that coin can be considered. I have seen a proposed design that has been prepared by Mrs. George (Miley) Busiek that symbolizes the American family and emphasizes the nurture of our youth who are the strength of our country's tomorrows. This is an outstanding design, and I think that this gold coin would not only be a tribute to the family of the past, but would carry a message for the strength of America tomorrow.

I thank you for your leadership and for this consideration.

Sincerely yours,

B. Clayton Bell

BCB:hb

Highland Park Presbyterian Church
3821 University Boulevard • Dallas, Texas 75205

JEWISH FEDERATION OF GREATER DALLAS
7800 Northaven Road, Suite A Dallas, Texas 75230
214 369-3313

May 13, 1982

The Honorable Ronald Paul
Sam Rayburn Office Building
Washington, D. C.

Dear Congressman Paul:

You have seen fit to introduce legislation that would permit the United States to issue gold coins.

I have recently had the opportunity to see a design created by Mrs. George Busiek, of Dallas, Texas. My personal opinion is that it is a beautiful design, which pays tribute to the family and to youth. It would be most fitting that our country's gold coin portray our belief that the family is the foundation of this great nation.

May I suggest that if it is at all possible, that Mrs. Busiek's design be included in the Bill which you introduce.

Yours truly,

Morris Stein

MORRIS A. STEIN
Executive Director

MAS:ap

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Dallas Home for Jewish Aged, Jewish Community Center of Dallas, Jewish Family Service, Jewish Vocational Counseling Services

DALLAS THEOLOGICAL SEMINARY

Office of the Academic Dean

May 12, 1982

The Honorable Ronald Paul
United States Congress
Washington, D.C.

Dear Sir:

I am writing to urge you to allow your bill to be amended so that consideration may be given to the proposed coin design showing symbolically a tribute to the American family.

I have examined the design and wholeheartedly endorse its approval. As an educator, private citizen, and supporter of the family, I feel that this coin has the potential of bringing positive encouragement to the youth and the young families of our nation.

Sincerely yours,

Donald K. Campbell

Donald K. Campbell, ThD
Academic Dean

DKC:clj

3909 SWISS AVENUE • DALLAS, TEXAS 75204 • PHONE (214) 824-3094

DALLAS THEOLOGICAL SEMINARY

Faculty

May 10, 1982

President Ronald Reagan
The White House
Washington, D.C.

Dear Mr. President:

It has been our privilege to see the design by Miley Busiek for the commemorative coin proposed by the bill sponsored by Congressman Ron Paul. The poignant message conveyed by the mother eagle and her young is a graphic symbol of the concern we as a nation need to show for our children.

We heartily recommend that this design by Mrs. Busiek be favorably considered as an appropriate national expression.

Most sincerely,

Howard & Jeanne Hendricks

Dr. and Mrs. Howard G. Hendricks
10415 Silverock Drive
Dallas, Texas 75218

3909 SWISS AVENUE • DALLAS TEXAS 75204 • PHONE (214) 824-3094

CHRISTIAN CONCERN FOUNDATION
P. O. BOX 8049
DALLAS, TEXAS 75205
214 691-3535

May 18, 1982

Honorable Daniel B. Crane
U.S. House of Representatives
Washington, D.C.

Dear Honorable Crane:

I have seen Miley Busiek's drawing of the Family of Eagles to be presented for consideration to be used on the gold coin being minted by the United States. Her work is great and the symbol is so fitting for our Nation emphasising the significance of the family.

Such a work contributed by a private citizen would be an appropriate representation of all our citizens.

Your serious consideration will be greatly appreciated.

Sincerely,

Creath Davis

Creath Davis
Executive Director
Christian Concern Foundation

CD/dv

Tom Landry

April 12, 1983

Honorable Frank Annunzio, Illinois, Chairman
United States House of Representatives
Ninety-Seventh Congress
Subcommittee on Consumer Affairs and Coinage
of the
Committee on Banking, Finance and Urban Affairs
Room 212 House Office Building Annex No. 1
Washington, D. C. 20515

Dear Mr. Chairman:

I consider it a privilege to have the opportunity to write to you in favor of the coin design being offered by Mrs. George S. Busiek for use on the American Eagle Gold Coin proposed by H.R. 6054.

We, as a nation, have a wonderful opportunity to show our concern for, and pay tribute to, the American family, senior citizens and young people. The coin design portrays symbolically a people's concern for a vital segment of our society.

Sincerely yours,

Tom Landry

Tom Landry

TL:bg

6116 N. CENTRAL EXPRESSWAY ★ DALLAS, TEXAS 75206 ★ 214-369-8000

TRAMMELL CROW
2001 BRYAN STREET
DALLAS, TEXAS 75201

May 17, 1982

The Honorable Daniel B. Crane
United States House of Representatives
Cannon HOB
Washington, D.C. 20515

Dear Congressman Crane:

Miley Busiek did such a wonderful job on the Republican Inaugural sculpture that it is entirely appropriate to consider her design for the proposed gold coin.

I have seen her design for that coin. I think it is thoughtfully and artistically done and quite follows the line of American gold coins and the theme of President Reagan's administration by the use of the eagles and emphasis on the family.

I am very pleased that Miley asked me to write this letter to you.

Respectfully yours,

Trammell Crow

NELSON BUNKER HUNT
2500 FIRST NATIONAL BANK BUILDING
DALLAS, TEXAS 75202

May 14, 1982

The Honorable Ron Paul
United States Congress
1234 Longworth Building
Washington, D. C. 20515

Dear Ron:

A friend of ours, Miley Busiek, has shown us her design for a gold coin. It emphasizes two American ideals - the eagle and the family. We feel this would be a wonderful representation of the things we value so highly.

We hope that you will give her design every consideration.

With best wishes,

Yours very truly,

Nelson Bunker Hunt

SOUTHLAND FINANCIAL CORPORATION
P O BOX 61208 · D/FW STATION · DALLAS, TEXAS 75261 · (214)556 0500

DAN C. WILLIAMS
CHAIRMAN OF THE BOARD

May 17, 1982

The Honorable Ronald E. Paul
1234 Longworth House Office Building
Washington, D. C. 20515

Dear Mr. Paul:

We understand that a bill is being sponsored to amend the statute to permit the minting of a new U. S. gold coin. We urge the amendment to allow a design expressing a Tribute to the American Family and the Young People of America be approved for one side of the new gold piece.

The design submitted by Mrs. Miley Busiek of Dallas is most appropriate and we recommend careful consideration of her presentation as the kind of tribute that would be heartily approved and accepted by the young and senior citizens of America.

Sincerely yours,

Dan C. Williams

DCW/jr

EXECUTIVE OFFICES: 580 IBM BLDG., 225 E. JOHN W. CARPENTER FRWY. IN LAS COLINAS, IRVING, TEXAS 75062
CORPORATE HEADQUARTERS: 100 WEST 10TH STREET, WILMINGTON, DELAWARE 19899

THE
SOUTHLAND
CORPORATION

JOE C. THOMPSON JR.
Executive Vice President

April 7, 1983

Honorable Frank Annunzio
Chairman
Consumer Affairs and Coinage Committee
United States House of Representatives
Washington, D. C. 20515

Dear Chairman Annunzio:

I would appreciate your consideration of the amendment of the bill for the proposed gold coin.

The design, created by Ms. Miley Busiek, pays tribute to the senior citizens and young people of the United States.

Thank you for your consideration.

Sincerely yours,

Joe C. Thompson

Joe C. Thompson, Jr.

JCTJr:jd

2828 NORTH HASKELL AVENUE / BOX 719 DALLAS TEXAS 75221 / 214 828-7281

May 18, 1982

The Honorable Ronald E. Paul
Longworth House Office Building
Room 1234
Washington, D.C.

Dear Mr. Paul:

I strongly urge you to amend your bill to allow the "Tribute to the American Family" designed by Mrs. George Busiek to be used on the proposed United States Gold Coin.

It is truly meaningful and we should certainly give special tribute to our American Families.

Sincerely,

Bill Mead

11

Home Interiors and Gifts, Inc.

May 17, 1982

President Ronald Reagan
The White House
1600 Pennsylvania Avenue
Washington, D. C. 20006

Dear Mr. President:

Knowing your desire to keep America strong, and the desire of the Gold Commission to have a gold coin on the world market, I would like for you to earnestly consider this symbol designed by Miley Busiek of Dallas, Texas for one side of the gold coin.

We believe that the American Family is at the heart of our American way of life. The Eagle is the symbol of America and shown here is an Eagle Family. The family is basic, and since the American Eagle is our National Symbol, with the combination of the two, a message of stability and strength is depicted.

We want to uphold the deep morals on which our country was founded. This design would help display this message to the world.

Sincerely,

Mary C. Crowley

Mary C. Crowley

MCC:aw

LEE R. SLAUGHTER, JR.
3510 CARUTH BOULEVARD
DALLAS, TEXAS 75225

May 12, 1982

President Ronald Reagan
The White House
Washington, D. C. 20500

Dear Mr. President:

I urge you to endorse the use of Mrs. Miley Busiek's design of a group of bald eagles as a tribute to the American Family. This design would be placed on the gold coin recently proposed by the Gold Commission. Legislation proposed by Congressman Ron Paul (R) Lake Jackson, Texas deals with this matter.

Sincerely,

Mr. and Mrs. Lee R. Slaughter Jr.

Mr. and Mrs. Lee R. Slaughter, Jr.

LRS:mon

MERCANTILE NATIONAL BANK AT DALLAS
DALLAS, TEXAS

GEORGE L. CLARK
CHAIRMAN OF THE BOARD
AND
CHIEF EXECUTIVE OFFICER

May 13, 1982

To Whom It May Concern:

It is my great pleasure to have the opportunity to recommend your close attention to the work of Mrs. George Busiek.

It has been my privilege to know Miley Busiek for the past twelve years. As a housewife, sculptress, and a person, there is no one who has a stronger feeling for the family and "for our country" than Miley. Her unselfish approach toward giving of her time and talent for the benefit of our country and our families is typical of her.

Thank you for your consideration of Miley and her work.

Sincerely,

George L. Clark

GLC:sab

ROY C. COFFEE, JR.
6201 HILLCREST
DALLAS, TEXAS 75205

May 12, 1982

The Honorable Ronald Reagan
President of the United States
The White House
Washington, D.C.

Dear President Reagan:

I have reviewed the design for the proposed gold coin submitted by Miley Busiek in tribute to the young people of the United States of America.

As a father, former mayor and a banker, I hope you and your staff will support the bill now in the Housing and Urban Affairs Committee that will allow Mrs. Busiek's design to appear on the proposed gold coin.

Any assistance that you might give will be greatly appreciated.

Very truly yours,

Roy C. Coffee, Jr.

RCCJR:cs

InterFirst

InterFirst Bank Park Cities
Post Office Box 8367
Preston Road at Mockingbird Lane
Dallas, Texas 75205
(214) 526-8100

Frank B. Marshall
Chairman of the Board and
Chief Executive Officer

April 11, 1983

Honorable Frank Annunzio
U.S. House of Representatives
Subcommittee on Consumer Affairs
and Coinage
Room 212, House Office Building,
Annex No. 1
Washington, D.C. 20515

Dear Mr. Annunzio:

I am pleased to recommend to you Mrs. George Busiek and will appreciate your consideration of her coin design for use on the American Eagle Gold Coin proposed by H.R. 6054.

Mr. and Mrs. Busiek are good friends and customers of this bank, and we are proud of her accomplishments in design and sculpture. We support her design for the coin and believe it typifies the American spirit we strive to maintain.

Sincerely,

Frank B. Marshall
Frank B. Marshall

FBM:ms

Formerly Park Cities Bank

Mrs. William A. Custard
- 3703 Crescent Avenue / Dallas, Texas 75205 -

May 12, 1982

Dear Sir:

It has been my pleasure to view the preliminary sketch for the eagle side of the proposed gold coin designed by Miley Busiek, which the Gold Commission has recommended be minted. I find that it is a handsome design which represents the nobleness of the male and female eagle, while depicting their fierce loyalty to their young.

In my opinion, it is a graceful and symbolic work which displays the commitment and care we feel for the young of our nation. I support the addition of an amendment to the bill that would allow for some form of this design to be used.

I am active in numerous voluntary organizations, both in the Dallas Community and at the national level. I feel that this design is meaningful and appropriate and one of which we could be justly proud.

Sincerely,

Linda Custard

Mrs. William A. Custard

HENRY B. MOBLEY, M. D., P. A.
INTERNAL MEDICINE - DIAGNOSIS
SUITE 716, PRESBYTERIAN PROFESSIONAL BLDG.
8210 WALNUT HILL LANE
DALLAS, TEXAS 75231

May 10, 1982

The Honorable Ron Paul

Dear Sir:

I hope you will allow your congressional Bill to be amended so that a replica of A Family of Eagles done by a Dallas artist might be considered for the new gold coins which are being proposed for mintage in the United States.

This grouping, which I have seen, is absolutely fabulous. It speaks to me of the importance of the protection of the American family in our heritage - a unit that has come under severe attack over the past years.

Yours very truly,

HBM/u

Henry B. Mobley, M.D.

cc: President Ronald Reagan

THE REDSKINS BOX 17247-DULLES AIRPORT WASHINGTON, D. C. 20041 (703) 471-9100

Joe Gibbs
Head Coach

April 28, 1983

The Honorable John Tower
United States Senate
Washington, DC

Dear Senator Tower:

The purpose of this letter is to present my reaction after seeing Mrs. George Busiek's design for the American Eagle Gold Coin.

Using the American Bald Eagle and depicting the cooperative spirit necessary for life, Mrs. Busiek has brought to everyone's attention a much-needed reminder for America. We are all dependent upon each other, and I think Mrs. Busiek has captured that concept in her design.

Very truly yours,

Joe Gibbs
Head Coach

JG/bs

Dallas Museum of Art

April 12, 1983

Honorable Jake Garn
United States Senate
Committee on Banking, Housing & Urban Affairs
Washington, D.C. 20510

RE: U.S. Senate Bill # S-42

Dear Senator Garn:

I know that Myley Busiek will be appearing before your Committee to present designs for an American Eagle Gold Coin.

I have seen Mrs. Busiek's work and feel that she is a most competent designer and worthy of your careful consideration. Her heart is certainly in this project and I know that her enthusiasm and dedication will be prime assets in the execution of the commission.

Yours sincerely,

Harry S Parker

Harry S. Parker III
Director

HSP/acs

P.O. BOX 26250 DALLAS TEXAS 75226-0250 TELEPHONE AREA CODE 214-421-4187

THE
SOUTHLAND
CORPORATION

JOE C. THOMPSON, JR.
Executive Vice President

April 7, 1983

Honorable Frank Annunzio
Chairman
Consumer Affairs and Coinage Committee
United States House of Representatives
Washington, D. C. 20515

Dear Chairman Annunzio:

I would appreciate your consideration of the amendment of the bill for the proposed gold coin.

The design, created by Ms. Miley Busiek, pays tribute to the senior citizens and young people of the United States.

Thank you for your consideration.

Sincerely yours,

Joe C. Thompson

Joe C. Thompson, Jr.

JCTJr:jd

2828 NORTH HASKELL AVENUE / BOX 719 DALLAS, TEXAS 75221 / 214 828 7281

The CHAIRMAN. Thank you very much. It's my understanding that when we get to a markup that Senator Tower will offer your design as an amendment. Certainly at this point in the hearing process I cannot predict what the outcome of the design will be or how other members of the committee would feel, but it is my understanding that Senator Tower would introduce that amendment for your design if and when we get to a markup on the bill.

Mr. Vigdor.

STATEMENT OF LUIS VIGDOR, VICE PRESIDENT, MANFRA, TORDELLA & BROOKES, NEW YORK, N.Y.; REPRESENTING THE NATIONAL ASSOCIATION OF COIN & PRECIOUS METALS DEALERS; ACCOMPANIED BY DAVID L. GANZ, GENERAL COUNSEL

[The complete statement follows:]

PREPARED STATEMENT OF LUIS VIGDOR, MEMBER OF THE EXECUTIVE COMMITTEE AND BOARD OF DIRECTORS OF THE NATIONAL ASSOCIATION OF COIN AND PRECIOUS METALS DEALERS, ACCOMPANIED BY DAVID L. GANZ, GENERAL COUNSEL, ON S. 42 AND S. 269 BEFORE THE SENATE COMMITTEE ON BANKING, FINANCE & URBAN AFFAIRS ON APRIL 15, 1983 AT WASHINGTON, D.C.

Chairman Garn, Mr. Proxmire, distinguished members of the Senate Banking Committee, my name is Luis Vigdor and I am delighted to be with you this morning. I am a member of the Executive Committee and Board of Directors of the National Association of Coin & Precious Metals Dealers, a trade association composed of approximately 300 dealers in numismatic material and precious metal bullion sales in 42 of our 50 states, - people who have a vital interest in the proposed legislation this Committee is considering this morning.

I am also a Vice President of Manfra, Tordella & Brookes, of New York, New York, one of the largest wholesalers of gold coins in the world, and have been a student of gold and silver markets for more than twenty (20) years.

Accompanying me this morning is David L. Ganz, our organization's general counsel, who has vast experience in the field of minting and coinage laws.

Before telling the Committee about the merits of the two bills under consideration today, I would like to take a brief moment to tell you about the National Association of Coin & Precious Dealers, an organization which is now in its third year and steadily growing. Our organization was formed in April of 1981 because of a concern about legislation then being considered on a local and state level that would have deleterious effect on the way that coin dealers and the buyers and sellers of bullion did business. Thereafter, as issues arose garnering the concern of the industry, we have been there to represent our members and their concerns. Our organization has been asked, previously, to testify before the Senate Finance Committee on tax legislation (§314-b of the Economic Recovery Act of 1981) , and, indeed, our Executive Director, Burton Blumert, previously submitted testimony before this Committee in conjunction with the Olympic Coin Program.

Although we do not keep any precise statistics,in 1980, the estimated aggregate sales volume of our membership exceeded $2-billion. Ours is an industry which provides employment and yet is acutely sensitive, perhaps in an inverse way, to the pressures that often make the economy, as a whole, rise and fall.

We believe that the basic idea behind both bills before you today has a great deal of merit. Quite apart from the issue as to whether or not the United States should be on the gold standard again, it ought to be apparent to this Committee, as it is to anyone involved in the coin and precious metals industry, that there is a marked demand for gold and silver both in bullion and coin form. There are probably a variety of reasons for this, but at their essence, they boil down to one thing: a perception on the part of the public at large that the dollar (and, indeed, all currency) has lost its purchasing power, and that as a result the only way to protect against that hedge is by acquiring a hard asset such as bullion or gold or silver coins.

Whether gold and silver will in fact provide such a hedge against inflation is conjectual, although gold has substantially increased in value over the course of the past dozen years, as has silver. The chart annexed to this statement shows precisely how dramatic a price rise has taken place.

But it is not the actual price rise versus the decline in the work of paper currency that has attracted investors, speculators, and even collectors that purchase coins like the Kruggerand or any of the other bullion trading coins - it is simply the _perception_ that the purchasing power has diminished and that the only means of preserving capital is by acquiring a hard asset.

I recall, vividly, in 1978 when the American Arts Gold Medallions Act was under consideration before this very Committee, numerous arguments were advanced by the Treasury Department as well as some of the private witnesses appearing as to why the gold medallions should not be struck and issued by the government. Those arguments were spurious. Gold was not remonetized, and despite the failure of the Mint to sell off its supply, they do afford a means by which the average member of the buying public can acquire gold if they choose to.

This Committee may wish to note that recently, virtually admitting their inability to adequately market the gold medallions, the U.S. Mint solicited bids from private industry to assist in the marketing of the medallions. A contract was let to J. Aron & Company, a division of Goldman, Sachs, and very experienced in the bullion field.

They in turn have recognized that only by utilizing a distribution network of dealers, banks, and other entities will they be able to adequately meet the mandate of Congress to produce and sell 1,000,000 half-ounce medallions each year and 500,000 units of one ounce medallions.

With respect to these medallions, I do not think that it is any secret that they have not been popular with the public. They are simply not competitive with existing bullion coins that are extensively advertised and promoted.

My firm, Manfra, Tordella & Brookes, did make a market in the first two issues of medallions; however, our selling price was usually lower than the government's price as well as the spot price of gold on any given day. For example, when gold recently was $500 an ounce, the American Arts Gold Medallions were being sold by the Mint for approximately $514.00. Our firm was willing to sell the medallions at a price about two (2%) percent less than the Mint, but we were not losing money - our buy price was $497.50, and we had more individuals interested in selling than buying..

One of the problems with the medallions has been their design. For the first two (2) years of issue, the actual weight and fineness of gold was not included, and the edges were plain, but not reeded in the way that a coin is minted. And, of course, the medallions are not legal tender.

The medallions are not legal tender, now, either. However,it is clear that the changes wrought by J. Aron & Company's intervention are useful -- the reeding of the edge, to give it the appearance of a coin, the name of the issuing county (United States of America) as well as the weight -- all of which are good marketing tools.

The reason that I am taking the time to discuss the American Arts Gold Medallions is that the lesson learned from them is one which this Committee, and Congress, ought to consider in examining both of the bills presently on the table.

The National Association of Coin & Precious Metals Dealers support, in principle, both of these bills. We think that it is highly desirable for a legal tender coin, even without a specific dollar denomination, to be issued by the United States Government. We believe that it would compete successfully with the Kruggerand, the Canadian Maple Leaf, and the other variety of bullion trading coins presently on the market. We also support a silver trading coin such as that proposed in Senator McClure's bills.

A legal tender coin containing silver bullion has a long and interesting history in our country, for it was just 110 years ago that Congress authorized the creation of the trade dollar, a silver-dollar sized coin with a higher measure of silver than the standard silver dollar, intended primarily for international trade, especially in the Orient.[1] That coin, of course, was issued in a different time era, when precious metal coinage was the standard of the world.

Today, of course, we live in an era of fiat paper money, however there is obviously a demand for precious metal coinage that can be utilized as if it were legal tender.

The record of the South African Kruggerand sales worldwide, as estimated by our Association, is instructive. During the preceding eleven (11) months, 2.3 million Krugerrands were sold, compared to 3.2 million during the same time frame in 1981. Each Krugerrand represents an ounce of gold. These figures, of course, exclude secondary sales and resales, so the number is actually much higher. By contrast, the U.S. Mint was unable during the same time to sell 500,00 one ounce medallions.

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[1] 1. As part of The Coinage Act of 1873, ch. 131. §18, 17 Stat. 427, (Rev. Stat. §3517), a trade dollar was authorized containing 420 grains of .900 fine silver, contrasting to the standard silver dollar's weight of 412.5 grains. The trade dollar's issuance was repealed by the Act of March 3, 1887, ch. 396, 24 Stat. 634. *See*, Ganz, "Toward a Revision of the Minting & Coinage Laws of the United States", 26 **Cleve. State L. Rev.** 175, 188 n. 106 and accom. text (1977) and Ganz, "The Coinage Act of 1873 & The Demonetization of Silver", 86 **The Numismatist** 2003 (1973).

Every Krugerrand sale is damaging to the American balance of international payments. Yet, what is the realistic alternative. The Krugerrand is a legal tender coin of South Africa[2] and in at least five states, no sales tax is collected when it is sold to a consumer. What is the practical effect of this?

This means that on the American Arts Gold Medallion, which is not legal tender, a sales tax is due upon subsequent resale.

I do not think that there is any question that in those states where sales tax on legal tender coinage is not collectible that a Krugerrand, Canadian Maple Leaf, or any other bullion piece has a substantial competitive advantage over any U.S. Government product upon which a sales tax is collected. The sales taxes, on the average, involve a premium of four to five (4%-5%) percent of the purchase price, and there is simply no reason why a consumer should be burdened by this. The General Counsel for the National Association of Coin and Precious Metals Dealers, David L. Ganz, has prepared a chart showing, on its first part, the typical sales tax charged in each of the 50 states and the District of Columbia on consumer purchases. The second part of the chart shows those states who have specifically exempted by regulation or statute those coins which are not denominated in any currency other than their name, but are rather bullion related.

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[2] Coins of foreign nations including the Krugerrand are admitted duty free under item 653.22 of the Tariff Schedule of the United States. Additionally, Dep't of the Treasury Doc. 3247, **Annual Rept. of the Director of the Mint for the fiscal year ended June 30, 1968** at page W60 lists the Krugerrand as among "Coinage of Nations in Circulation" in 1967.

There are, I think, compelling reasons why no sales tax ought to be collected on the sale of another nation's money, and so it stands to reason that in the event that this committee approves the McClure and Helms proposals to allow for an American bulliongold coin and silver that it ought to be implicitly understood that coins sold at the government's retail price even at resale, are exempt from sales or used taxes whether imposed directly, or indirectly, because in the failure to do this, some of the competitive edge that legislation seeks to exploit will simply be lost.

Quite aside from any political or philosophical issues, it is readily apparent based upon current purchases by consumers that an American equivalent to a Kruggerand gold coin, as well as a silver counterpart is ripe for marketing and sale.

It is equally apparent that while the U.S. Mint should be the producer of these coins, they are not capable of undertaking mass marketing.

One need not look further than the experience that has been had, to date, with two of the Mint's most recent marketing efforts -- the George Washington commemorative 50 cent piece, and the Olympic coinage program in order to see that while the Mint is capable of reaching the coin collectors, they are simply unable to reach the public at large, something that is absolutely essential if the program is to be successful. Under the McClure bill, approximately 19 million Morgan silver dollars would be authorized (the number is calculated by multiplying the troy ounce weight of a silver dollar by the allocated amount of bullion). Based on past performance, as well as current sales efforts for the Olympic program (where sales are hardly brisk) and George Washington commemorative issues (where "sell outs" of just 10 million authorized pieces did not happen) the Mint is simply not capable of reaching these heights. In probably its best sales effort, the bicentennial commemorative coinage authorized by Congress for issuance in 1975-76, the Mint was unable to sell 15 million sets consisting of three coins (quarters, half-dollars and dollars) and, no wonder: annual proof set sales have rarely in recent years, approached 4,000,000.

The Mint is very capable of servicing coin collectors, but beyond that level, they are simply unable to effectively reach the mass market.

Bulk sales by the Mint, and an appropriate discountto bulk purchasers is an effective way to market the commemorative coinage under discussion today.

A slightly different problem emerges with respect to the marketing of the bullion pieces, however offering a discount on bullion does not appear to be feasible or practical because of low mark-ups. A far better alternative would seem to be production by the Mint and sale of marketing rights (whether in whole or in part) to private enterprise.

In the past, the Treasury Department was unwilling to properly promote the sale of the American Arts Gold Medallions. Recently, we have detected a change in attitude as the U.S. government has become a manufacturer if gold medallions and is actively entering and participating in this country's gold bullion market.

Today, there is substantial competition for the right to market gold bullion coinage. Increasingly, the several states have recognized that sales, alone, without collection of sales tax have an impact on the local economy through sheer velocity of money expended. Where once hardly a state did not tax or attempt to tax gold bullion and "monetized bullion" (coins that are legal tender but denominated by weight, not dollar value), now the number that do not are growing, as the annexed chart prepared by our general counsel, Mr. Ganz, clearly shows.

There are, already, more than half-dozen states which have comparable, or similar exemptions. Louisiana, for example, exempts from sales or used taxes the sale of monetized bullion, using $1,000 an arbitrary cut-off, as does the State of California. As the appended chart shows, other states have adopted a similar approach.

The rationale, in each instance, is that the purchase of gold, or silver in either bullion form, or in the format of a bullion-like coin or medal is an investment, just as the purchase of stock is an investment, and that as such it should not be taxable.

There is an additional, alternative theory under which we will tender that gold coinage and silver coinage can, and should be exempt from taxation.

This rationale takes the position that the South African Krugerrand, the Mexican bullion pieces, as well as other coins are legal tender, just as the soon-to-be issued United States $10-dollar gold piece commemorating the 1984 Olympic Games is a legal tender coin.

Under both the Helms and McClure proposals before the Committee today, the same rationale would be true. Just as there is no sales tax when a foreign exchange transactions is made, for example, when a traveller seeking to go abroad buys British pound sterling, an exchange rate is utilized, and no tax applies on the transaction, so too, it should be with the Krugerrand, as well as with other bullion-type coins which are also legal tender.

Whatever the rationale is, we believe that it is important that sales tax be eliminated, and that both bullion and bullion-type coins be treated the way any other investment is. If you buy stock, there is no sales tax; if you seek soybean futures, there is no sales tax; if you buy treasury bonds, or municipal bonds, there is no sales tax; if you invest in gold futures, there is no sales tax; but for some reason, if you take possession of the bullion, or the foreign issued monetized bullion, sales tax is collected.

It is the belief of the National Association of Coin and Precious Metals Dealers that this is unreasonable. Additionally, it just does not make good sense. We think that this is added reason to support both the Helms and McClure bills, since it stands to reason that no state government will challenge the validity of not charging sales tax on their own government's coin issues.

When the National Association of Coin & Precious Metals Dealers stands behind a proposition, this Committee should be aware that the quantity of sales that we are talking about is hardly minimal. Although some of our members are representatives of a "mom and pop" or cottage industry, some of our larger-scale members have mind-boggling balance sheets.

Although the information is not officially collected by us, several of our members, in 1980, at the height of the precious metals market, did in excess of $500-million in bullion sales of gold, silver, and bullion-type coins.

We believe that by removing the obstacle of sales tax on bullion and bullion-type coin investments, the investing public will have a different choice that they can make, and place coins and bullion on a far more even footing with other solid investment choices.

We further believe that the gold eagle and half eagle proposed by Senator Helms is a reasonable (and well reasoned) alternative to the Krugerrand that Americans ought to be allowed to acquire, and that the real need for a silver piece of comparable stature is apparent.

Perhaps the only problem that our Association finds with the legislation is with the provisions relating to distribution through what is defined in the bill itself as a recognized dealer in the field.

Under S. 269, only dealers recognized by the Treasury Department pursuant to regulations that would be established would presumably be permitted to purchase the bullion coins as well as the Morgan silver dollars. No such limitation is imposed on S. 42, relating to gold. It is the opinion of the National Association of Coin and Precious Metals Dealers, and my personal opinion as well, that it would be a mistake for the government to attempt to categorize or even define coin dealer or even an individual or firm who ought to qualify for bulk sales discounts in the form of a regulation. In the first instance, ours is an industry consisting of many different types of dealers. The Professional Numismatists Guild Incorporated of which I am a member, in addition to being a member of the National Association of Coin and Precious Metals Dealers, requires by regulation that each of its members have at least $100,000.00 worth of numismatic assets before being eligible for membership. Yet, there are many vest pocket dealers who buy and sell coins on a regular basis who are not members of the PNG but are clearly professional numismatists in all but the amount of aggregate time that they devote to this area of economic activity.

If bulk sales for the bullion pieces are being contemplated as the legislation seems to suggest in units of least 25 pieces, and possibly as many as 100, it would seem that it is not unreasonable to ask for purchases to be at a minimum level which would be established by regulation.

If some minimum amount is necessary, surely from a logistical stand point and to enable the Treasury Department to absorb the handling charges, a possible threshold might be the same dollar $1,000 sum utilized to define monetized bullion in California and Louisiana. At the current price of silver, at about $11.00 an ounce, this would require that a minimum of 91 coins be purchased, which for convenience could be rounded to the roll of 100 hundred mentioned in the bill. If the price of silver rises again, as it did in 1980, to a level of $48.00 an ounce, then the minimum of 25 coins provided for in the statute would be applicable.

The other alternative would appear to be placing the disposal of these monetized bullion silver coins up for bid, in the same manner that the American Arts Gold Medallion sale was recently awarded to J. Aron & Company, under procurement terms and bidding requirements in accordance with usual government regulations and requirements.

If the later course is taken, the financial responsibility section of the bill makes a great deal of sense though I assume that payment in full upon delivery, would be an essential part of any such contract.

It would also appear, however, that if the equivalent of a wholesaler for the government is not found in order to coordinate a distribution that works, and instead anyone capable of making the minimum bulk purchase acquired by regulation is allowed to do so, that financial integrity of the person is irrelevant so long as payment in fact is made at the time of acquisition.

It is not unreasonable to allow anyone --whether a dealer, a collector, an investor, a speculator, or any potential buyer willing to meet the minimum bulk standards to acquire the coins.

It is the belief of the National Association of Coin & Precious Metals Dealers that, fundamentally, each of the three concepts in both of the bills is sound, but needs to be fine-tuned.

Our organization's general counsel has prepared for both S. 269 and S. 42 proposed amendments which we believe would strengthen the bills should they become law.

This concludes the prepared portion of my testimony. If I can answer any questions for the Committee, I would certainly be delighted.

The National Association of Coin & Precious Metals Dealers thanks the Senate Banking Committee for inviting them to participate in this historic hearing to consider issuance of silver and gold monetized bullion, and looks forward to its expedited consideration.

Thank you.

STATE GENERAL SALES and USE TAXES
1983

State	% Rate
Alabama	4
Alaska	-
Arizona	4
Arkansas	3
California	4.75
Colorado	3
Connecticut	7.50
Delaware	-
District of Columbia	5
Florida	5
Georgia	3
Hawaii	4
Idaho	3
Illinois	4
Indiana	4
Iowa	3
Kansas	3
Kentucky	5
Louisiana	3
Maine	5
Maryland	5
Massachusetts	5
Michigan	4
Minnesota	5
Mississippi	5
Missouri	3
Montana	-
Nebraska	3
Nevada	3.5
New Hampshire	-
New Jersey	5
New Mexico	-
New York	4
North Carolina	3
North Dakota	3
Ohio	4
Oklahoma	2
Oregon	-
Pennsylvania	6
Rhode Island	6
South Carolina	4
South Dakota	4
Tennessee	4.5
Texas	4
Utah	4
Vermont	4
Virginia	3
Washington	5.6
West Virginia	5
Wisconsin	5
Wyoming	3

Source: 7 Martindale-Hubbell Law Digest (various states) [115th ed. 1983].

Note: Does not include local (city, county) sales taxes or surcharges. For example, New York City imposes a 4.25% tax, making the total tax burden 8.25%.

Exemptions to Sales Tax
on
Bullion Coin Sales
(Through 12/31/82)

State	Type of Exemption
California	Monetized bullion (over $1,000) Reg. §1599
Florida	Coin of the realm (legal tender) [includes Krugerrand], Reg. (12)(c), added 12/23/80
Idaho	Monetized bullion (legal tender coins), Code §63-3622(z). Laws 1982, ch. 128, eff. 7/1/82.
Louisiana	Monetized bullion ($1,000 or more). Laws 1977, Act 629, Code §305.24.
North Dakota	Sale of money (legal tender coins). Laws of 1981, H1216, effective 7/1/81, N.D. Code §57-39.2-04(31).
Rhode Island	Precious metal bullion. Laws 1975, ch. 75 Code §44-18-30(y).

PROPOSED AMENDMENT TO S.42

Section 407

In subparagraph (a), following the words "derived from the" add the word "creation,."

Section 407(a)

Any gain or loss derived from the creation, sale, exchange, or other disposition of any coin authorized by this title shall not be recognized as income or a capital gain or loss under any Federal, State or local income tax.

PROPOSED AMENDMENT TO S.269

Section 1(b)(1), p.2

Line 4 now reads " "Liberty", "In God We Trust", "United States of America", ."

Change Line 4 to read " "Liberty", "In God we Trust", "United States of America", "

Section 2(a)(1), p.2

Line 14 now reads "1(b)(1) of this Act shall be sold by the Secretary directly to".

Line 14 should read "1(b)(1) of this Act shall be sold individually by the Secretary directly to".

Section 2(a)(1), p.2

Lines 15 and 16 now read "the public, and to numismatic coin dealers and retailers for resale to the public, in accordance with such regulations as".

Lines 15 and 16 should read "the public, and in bulk sales to financially qualified buyers, in accordance with such regulations as".

Section 2(a)(1) p.2

Lines 22 and 23 now read "tary shall make bulk sales of the coins to numismatic coin dealers and retailers at prices which reflect the lower costs of".

Lines 22 and 23 should read "tary shall make bulk sales at prices which reflect the lower costs of".

Proposed Amendment to S.269

Section 2(a)(2), p.3

Line 1 now reads "The Secretary shall mint proof and uncirculated".

Line 1 should read " Subject to subsection (1) of this section, the Secretary shall mint proof and uncirculated".

Section 2(a)(2), p.3

Line 3 now reads "Proof coins shall be sold at a price not less than 75 per".

Line 3 should read "Proof coins shall be sold to bulk sales purchasers at a price not less than 75 per".

Section 2(a)(2), p.3

Line 5 now reads "Uncirculated coins shall be sold at a price not less than 50".

Line 5 should read "Uncirculated coins shall be sold to bulk sales purchasers at a price not less than 50".

Section 2(a)(2), p.3

Line 7 now reads "Act."

Line 7 should read "Act. Individual sales shall be made at a price which reflects the higher cost of such sales."

Section 2(a)(3), p.3

Lines 8, 9, 10 now read "(3) The Secretary shall define the terms "numismatic coin dealers and retailers" in a manner consistent with the ordinary practices of the numismatic coin trade."

Lines 8, 9, 10 should be deleted in their entirety.

Proposed Amendment to S.269

Section 2(a)(4) p.3

Line 11 now reads "(4) The Secretary shall make reasonable and appropri-".

Line 11 should read "(3) The Secretary shall make reasonable and appropri-".

Section 2(b)(1) p.3

Lines 15 and 16 now read "Secretary to primary dealers in bullion coins, in accordance with such regulations as the Secretary may prescribe, at".

Lines 15 and 16 should read "Secretary to one or more financially qualified buyers, in accordance with such regulations as the Secretary may reasonably prescribe, at"

Section 2(b)(2) p.4

Lines 1 through 7, i.e., paragraph (2) should be deleted in its entirety.

Section 2(b)(3) p.4

Line 8 now reads "(3) The Secretary shall package the coins minted pursu-".

Line 8 should read "(2) The Secretary shall package the coins minted pursu-".

The **Chairman**. Thank you very much.

Mr. Wilde, do we know or do you have any estimates of what the demand is for selling the approximately 19 million reissued silver Morgan dollars?

Mr. **Wilde**. No, sir, we have not made a market study to try to determine how many could be sold. The only thing we could do is refer to the mint products that they have sold through the office in San Francisco. We know how many they do sell each year with the marketing that they have done.

If the marketing were altered, as it may well be, I think that the sale would be greatly enhanced in the number of pieces that would be sold per year.

The **Chairman**. What about silver bullion coins; do you have any better handle on that as far as demand?

Mr. **Wilde**. We do know how many people are buying bullion silver. Since they are buying it, this would be a method of purchasing a small amount of bullion for a small investment, and therefore more collectors or more investors could purchase an item of this kind because it would be lower in price than say a bar which would be not only expensive but it would be hard to store and an individual who fails to receive the bullion, he may lose it. I always tell a person if you're going to buy a commodity, be sure you receive the item. Don't let somebody else get it for you.

The **Chairman**. Do you anticipate that the American Gold Eagle would appeal to coin collectors, particularly in light of having the Olympic gold coin and other gold medallions?

Mr. **Wilde**. Yes, sir, I do. I know that our 40,000 members of our association are most interested in gold. Not all of us can afford it. We recognize that too. But we do know that the 1908 double eagle which was designed by one of the eminent sculptors of the United States, Saint-Gaudens, the Saint-Gaudens coin is one that is desirable for any numismatist or any accumulator or any collector. I think that this particular design will enhance the sale of that coin.

The **Chairman**. Mr. Vigdor, in your experience what would be the most effective way to market and sell silver bullion coins?

Mr. **Vigdor**. Privately, I feel, Mr. Chairman, that you can engage the banking industry—I don't know the exact amount of banks we have in this country—maybe we have 15,141 banks, but if you could manage to get every single bank interested in disposing for their clientele some of the silver coins which they in turn would buy from the Federal Reserve System, then you get all the stockbrokers and then you get all the coin dealers. In my mind, it will be absolutely no problem disposing of all the quantity they're talking about. You have to take into consideration population. I don't know what the latest figure on population is, 226 million. It really boils down to about a little more than half an ounce per capita. So it is not a figure which cannot be achieved. I'm very confident the most important thing we have here is the name of the producer who is the most powerful country in the world. We have to produce a good product. I feel it has to be a coin. Under these circumstances, there will be absolutely no problem.

The **Chairman**. What importance is the legal tender status of a coin for sales purposes?

Mr. VIGDOR. Mr. Chairman, in my experience—I've been in the business for many years—I have always felt that medals just don't sell. You still have to make it legal tender. If you can give it legal tender status and you give it a perfect design with the name of the country on it, the coat of arms, you have a beautiful double eagle on the front or you take the Statue of Liberty, that is really what makes the sales of coins, and then the most important ingredient is the markup. If you give the American public a piece of silver which is worth $15 or $10 and mark it up 50 percent for the uncirculated Morgan, for instance, and 75 percent for the proof Morgan, there's no question in my mind that they will be all sold out within 2 years maximum.

On the other side, if you only mark up the bullion section and say the silver bullion coins we intend to make 10 percent, again perfectly salable, that means that a 1 ounce coin which let's say at present market price would be $13 or let's say $11.60 and you would add another $1.10 or $1.25 and you would be able to sell it. We have sold at least in our industry millions of ounces of silver, many of them in 1 ounce size, produced by private mints. I think if the U.S. Mint either San Francisco or Philadelphia or even a contracted mint producing it for the Government backs this up, this product, you will have absolutely no problem selling it.

The CHAIRMAN. I appreciate each of your willingness to testify today. Are there any other comments any of you would like to make? If not, thank you very much. There may be additional questions for you in writing for response for the record. Thank you.

[Response to written questions from Luis Vigdor follow:]

RESPONSE TO WRITTEN QUESTIONS FROM LUIS VIGDOR

1. Q. You mention in your testimony that during the last 11 months 2.3 million Krugerrands were sold, and about 3.2 million were sold during 1981. Could you estimate the number of silver bullion coins which have sold in recent years?

A. This questions must be answered in two distinct ways. First, there really are no silver bullion coins currently being sold in the United States, but rather what is characterized as"junk silver" coinage, consisting of five different types of coins: 1) 90% U.S. silver coinage, namely dimes, quarters and half dollars struck in 1964, and prior, in a variety of conditions; 2) United States 40% silver coins, all made of silver-clad material, and largely consisting of half dollars produced between 1965 and 1970, though statutorily including certain bicentennial pieces struck with the year 1976, as well as certain Eisenhower dollars also produced between 1971 and 1974; 3) Five-cent coins (nickels) produced with a war time alloy of 35% silver/56% copper/9% manganese, between 1942 and 1945, circulated United States silver dollars and 80% silver Canadian coinage.

There are pieces in existence such as the silver Krugerrand, produced by the Union of South Africa, which do contain one troy ounce of silver, but these are primarily collector coins and are not traded on a bullion basis as the five other types mentioned previously are.

When silver was trading at $7.90 an ounce, back in September 1982, this so-called "junk silver" was trading at the following prices, based upon $1,000 in face value. (This means that for 1,000 circulated U.S. silver dollars, 20,000 circulated war nickels, and like percentages of other types and denominations) the following prices were offered by Manfra, Tordella and Brookes, my firm, as stated in the accompanying chart:

TYPE	PRICE
U.S. 90% silver	$ 7,000.00
U.S. 40% silver (half dollars)	2,550.00
War Nickels	7,000.00
Circulated U.S. dollars	11,550.00
Canadian 80% silver	4,200.00

By the same token, there are any number of one ounce, five-ounce, ten-ounce, and hundred-ounce bars of silver that have been manufactured and sold over the course of the past year, both by my firm, and by other members of the National Association of Coin & Precious Metals Dealers.

While no statistics are kept by the National Association of Coin & Precious Metals Dealers, it is probably fair to estimate that tens of thousands of ounces of silver (whether in one-ounce bars, or multi-ounce bars) were sold by each of the 300 members of the National Association of Coin & Precious Metals Dealers.

In addition, it is useful to note that refiners have reported that during 1982, 63,646 troy ounces of silver was recovered from coins; in 1981, 1.5 million troy ounces was recovered from this source, and in 1980, 17.4 million ounces were recovered. This of course relates to the United States. Worldwide, the number is substantially higher, with about 6.9 million troy ounces recovered from coins in 1982, and 10.5 million in 1981.

Could you estimate the number of silver troy ounces sold in recent years?

It is difficult to estimate the total number of silver troy ounces sold in recent years because the question does not define whether used silver is involved, or not. According to the Silver Institute, 12.8 million ounces of silver was fabricated or converted or shipped out as .999 fine silver in the month of December 1982, alone. For the entire year, over 108 million troy ounces of silver were disposed of by refiners alone. I would think that because of the residual silver in the market, the actual amount of silver changing hands is substantially higher.

Again, by way of example, in 1981, 130.8 million ounces of silver was apparently disposed of and in 1980, about 166.8 million ounces was disposed of. Thus, in a 3-year period of time, close to 400 million ounces of silver was apparently sold in the marketplace, not counting silver coinage, bullion, or regular issue.

As the GAO study points out, the success of a silver bullion coinage program depends on consumer demand. What evidence do you have to suggest what the consumer demand is for silver - not gold - bullion coins?

Actually, the National Association of Coin & Precious Metals Dealers believes that there is a demand for both silver bullion coins and gold bullion coins. We believe that collectors, investors, dealers, and even the man on the street wants to have precious metal coinage available as an alternative against inflation, a decline in purchasing power of the dollar, and perhaps more importantly, a desire that is difficult to define the cause of which makes a precious metal coin far more attractive than a medal of comparable weight or even design. The experience in the coin field with gold is instructive. Before gold ownership was legalized in the United States, in December, 1934, the only means by which an individual could own gold was if gold coins were held by him that were collectors items either under license of the Office of Domestic Gold and Silver Operations, or produced prior to 1933.

When gold ownership was legalized, many other gold coins became available.

The number of South African Krugerrands which have been sold in this country, as well as the number of Mexican gold coins, and Canadian gold coins, when contrasted with the sale of the American Arts Gold Medallion, dramatically demonstrates the difference between a coin - even if it is available at a higher price than a medal. The medals quite simply have not sold, quite possibly because of marketing, and possibly because they are medals. Equally so, there are many individuals who desire to hold legal tender silver coins ranging from bulk quantity of circulated silver dollars, to uncirculated silver dollars, a portion of the value of which is determined by the bullion content, and a portion of which is dependent upon the numismatic content.

There are also any number of silver coins which are being produced on a regular basis in numismatic circles, primarily for collectors. One need look no further than the Annual Report of the Director of the Mint for the Fiscal Year Ended September 30, 1980, showing world monetary stocks of silver bullion and coin held at the end of calendar year 1979, prior to the major increment in the value of silver. That shows that over $4 billion in silver coin is part of the world monetary stock.

I would also point out that a number of private marketing organizations, ranging from the Franklin Mint, to a public international organization, The Food & Agriculture Organization of the United Nations, have been involved in the issuance of silver coinage basically to collectors. A chart detailing these silver coins, many of which are highly desirable appears in the 1980 Annual Report starting at page 239.

Further, according to the Guidebook of Franklin Mint Issues, 1982 edition, the number of silver coins produced by the Franklin Mint alone, for its private marketing purposes, is nothing short of astonishing. Some of these are of course in limited editions, and primarily intended for collectors, others, however, while intended for collectors are still in fairly substantial quantities. Just by way of one example, a Panamanian five Balboas struck for the 1970 Central American & Caribbean games, had a mintage of 665,958 pieces, and was struck in uncirculated condition. Since the Franklin Mint strikes in direct proportion to the orders actually received, this is evidence, in a single issue, of an intense interest in silver coins.

2. Q. To encourage dealers to make the capital investment necessary to buy, in bulk, bullion coins, what discount for bulk sales would you recommend the Treasury offer?

A. A bulk discount for purchases ought to be done in a graduated manner, such that a dealer buying a minimum bulk quantity, for example, 500 pieces, would pay a different amount than a dealer purchasing 1000 pieces, or even 10,000 pieces. A sliding scale for silver bullion coinage bulk sales should be as follows:

(This assumes that one coin would sell at spot price of silver plus 25 percent. On a $12 per ounce price, one bar would sell for $15).

Quantity	Selling Price
1,000 coins	Spot plus 15%
5,000 coins	Spot plus 10%
10,000 coins	Spot plus 8%
20,000 coins	Spot plus 6%
50,000 or more coins	Spot plus 5%

As the chart shows, it is my belief and that of the National Association of Coin & Precious Metals Dealers that quantity purchases ought to be rewarded.

3. Q. In your opinion, what is the minimum quantity of coins that should be purchased in order to qualify for a bulk sale discount?

A. Actually, rather than have a minimum number of coins, a bulk sale ought to be constituted in simple dollar and cent terms. That way, as the price of silver rises, or falls, the "trap" of having a certain number of coins is avoided. The problem is best illustrated by discussing what took place with the price of silver in 1980. When silver went to $48.00 an ounce, it had a dramatic impact on the coin market. By the same token, if these coins had then been available and 1000 coins had been the minimum purchase order in order to qualify for a bulk discount, a buyer would have had to spend $48,000 at a minimum. By contrast, at $10.00 an ounce, only $10,000 would have to be expended.

I think that a reasonable minimum quantity to qualify for a bulk discount is probably $1,000. which would, as I said in my testimony, require a minimum purchase of approximately 91 coins. The Mint should be given authority to round this number upward or downward for convenience, and thus require, instead of 91 coins as a minimum number, that 100 be purchased. But this should not be cast in stone, for if the price of silver were to rise again, as many including myself think it will, it would be unfair to have minimum bulk purchases be in a price range of $5,000 or more.

Q. If a buyer purchases substantially more coins than this, should a higher discount rate be permitted?

A. It is the recommendation of the National Association of Coin & Precious Metals Dealers, as I previously indicated, that a sliding scale ought to be permitted. Obviously, the cost of selling decreases with a quantity order. Our firm, Manfra, Tordella & Brookes, has adopted for gold coins, purchased largely for bullion, a bulk scale and we have found that it is both efficient and money-making. I see no reason why this could not likewise be adopted for silver coinage.

4. Q. If Congress required the Secretary of the Treasury to conduct a study, as the General Accounting Office suggested, to develop a stratgey to market bullion coins, at a minimum, what should be in that analysis?

A. What you are really asking is whether or not a marketing study should be undertaken, and that is something which simply is good business sense. First, a marketing study should be made in order to ascertain who the primary market is - and whether it is best reached by government bulk sales to several large distributors or bulk sales on a first-come, first-served basis to whomever is willing to pay the price.

Also, such a survey should include datum as to the average purchase of existing silver pieces, which are largely medals, the effect that margin purchases might have from dealers who have already acquired the pieces from the government, and a variety of other factors.

The survey should begin in the 1967 period when silver certificates could still be redeemed for silver bullion, and should initially run for a period of about 10 years, until 1978, when the market aberations of the Hunt Brothers buying impacted. (This period being aberational, it should be disregarded). Ideally, it should also include the number of ounces of silver that are being used for investor's purposes, the number of ounces stored in foreign or out of state depositories (Delaware, for example), and survey what types of coins and medallions are being purchased by the public. Logically, it should also include an analysis of the items successfully sold by the Franklin Mint and other private companies (as reported in various journals and publications where such information is available) to ascertain preferences within the market.

The **Chairman**. Next I would like to invite to the witness table the Honorable Angela Buchanan, Treasurer of the United States. Mr. Manuel Johnson was supposed to be here as well, but he is apparently testifying before the Joint Economic Committee and I understand in his place will be Jacob Dreyer, Acting Deputy Assistant Secretary for Economic Policy.

We are very pleased to have you with us today.

STATEMENT OF ANGELA BUCHANAN, TREASURER OF THE UNITED STATES; ACCOMPANIED BY JACOB DREYER

Ms. **Buchanan**. Mr. Chairman, if it's in agreement with you, I will respond to S. 269. Jake here will then respond to the Gold Eagle bill if Manuel Johnson has not arrived.

The **Chairman**. Thank you. That will be fine.

[The complete statement follows:]

TREASURY NEWS
Department of the Treasury • Washington, D.C. • Telephone 566-2041

DEPARTMENT OF THE TREASURY

STATEMENT OF THE HONORABLE
ANGELA M. BUCHANAN
TREASURER OF THE UNITED STATES
BEFORE THE
COMMITTEE ON BANKING, HOUSING AND URBAN AFFAIRS
UNITED STATES SENATE

APRIL 15, 1983

Mr. Chairman and Members of the Committee, I am pleased to appear before you to present the views of the Department of the Treasury on S.269, a bill which provides for the disposal of silver from the National Defense Stockpile through the issuance of silver coins. With me today is Kenneth Gubin, the Chief Counsel for the Bureau of the Mint.

If enacted, this bill provides for the issuance of silver coins in two separate series, utilizing 105 million troy ounces of silver from the National Defense Stockpile over a three-year period, commencing in 1984. One coin series would have a face value of one dollar and bear the design of the old "Morgan" silver dollar which was minted between the years 1878 to 1921. These silver dollars would be sold by the Secretary of the Treasury directly to the public and to numismatic coin dealers and retailers for resale to the public. The second coin series would bear a Liberty design and be sold in bulk on a negotiated basis by the Secretary to primary dealers in bullion coins.

The use of a silver coin program, as a method to gradually draw down the GSA stockpile of silver, may have merit; but the success of any coinage program is contingent upon public demand and the ability of the new program to compete with other Bureau of the Mint programs as well as public sector programs.

The bill would certainly meet the requirements of Section 6 of the Strategic and Critical Materials Stockpiling Act, as amended, which requires that stockpiled materials be dispensed in such a manner and form that would:

-- permit no undue disruption of the usual markets of producers, processors, and consumers of such materials;
-- protect the United States against avoidable loss;
-- ensure disposal is used for domestic consumption; and
-- be affordable to most American families.

The Department of the Treasury recognizes that there are valid concerns that prompted the introduction of this bill; however, we have reservations concerning the magnitude of the silver coin legislation and its impact on current Mint programs. In order to meet the intent of S.269 and its genesis, the Omnibus Budget Reconciliation Act of 1981, which authorized the disposal of 105.1 million ounces of silver over a three-year period, the Mint would have to sell, on average, 35 million ounces of silver coins each year in addition to meeting its other mandated requirements. This is a serious undertaking that requires careful consideration of a number of elements not the least of which are: market demand; pricing factors; the bullion market trends; timing; impact from coins already issued or soon to be issued by the U.S. Government; as well as competition from other nations and the private sector.

The Department of Treasury has several major concerns with S.269 as currently drafted.

Competition with Existing Treasury Coinage Programs

The legislation specifies that the two silver coins will be sold during a three-year period commencing in 1984. This implementation date would place the "Morgan" silver dollar in direct competition with the silver commemorative coins authorized by the Olympic Commemorative Coin Act of 1982. Since the "Morgan" silver dollar would not carry the mandated surcharge associated with the Olympic Coin Program, the lower price for the "Morgan" dollar could undermine our market for silver Olympic Coins. Therefore, the Department of Treasury recommends that, if enacted, this legislation designate 1985 as the year of implementation.

Size of the Coin Program

The proposed legislation sets aside 15 million ounces of silver for the "Morgan" silver dollar, an amount which will provide approximately 19.5 million silver dollars. If an extensive marketing effort is undertaken, our experience indicates that the sale of this number of coins may be feasible. However, the range of 12 to 16 million coins is far more realistic.

A similar program in which the Bureau of the Mint is presently involved -- the George Washington Commemorative Half-Dollar -- has realized sales of 6.2 million coins in the first year. However, only ten million silver half-dollars are authorized to be minted, and our sales expectations for the remaining coins are that they will move at a much slower rate than we have experienced so far. Having three different dates appear on the "Morgan" silver dollars will help to alleviate a fall off in sales over the three-year period, but we would expect that the second year sales will not be as successful as the first.

As for the 90 million ounces designated for the "Liberty" bullion coin, this is a major undertaking that is unprecedented in Mint history. There is no comparable coin on the market, therefore, demand is difficult to predict without careful research. In order to establish a level of demand, it is important that research be done by an independent marketing organization to determine if a demand exists in this country for this product, what the size of the demand is, and what an acceptable price would be. The Department recommends that such a study be undertaken prior to implementing this part of the legislation.

Pricing

It is the opinion of the Department that the pricing provisions in the bill are unnecessarily restrictive and that the Secretary of the Treasury should determine the price. If, for instance, a competing coin is on the market when the coins proposed in this legislation are minted, the pricing structure proposed may thwart the Department's efforts to successfully market these products. This is especially the case with the "Liberty" bullion coin.

If this legislation were to become law, it may be necessary to undertake a major marketing effort to inform the public, as well as create a secondary market. This effort would be extremely expensive and the 10% restriction imposed in Section 2(4)(b)(1) may exclude it from consideration. It should be noted that the fact that an expensive marketing plan would be necessary to succeed may in itself cause the program to fail. Bullion coins are generally sold at a very small premium. In fact, dealers often disrupt the market by simply dropping their premium by a fraction of a percentage point. In order for the Department to cover all its costs, including marketing, it may be necessary to price the coin out of the market. It is for this reason, as well as those described above, that the Department highly recommends a marketing study be undertaken.

In addition to the major concerns expressed above, the Department has a number of suggested technical modifications that we would like to submit to the Committee for their review.

In conclusion, the Department feels that the issuance of silver coins is one means of disposing of silver from the National Defense Stockpile which deserves additional attention. We strongly recommend that a study be undertaken to determine the demand, the price, and the general feasibility of the proposal.

Again, thank you for the opportunity to testify on this bill. This concludes my formal remarks; I would be pleased to answer any questions you may have.

The CHAIRMAN. Thank you. I've just been informed that Mr. Johnson is on his way, so I might ask you a couple questions while we're waiting for him.

S. 269 calls for 15 million troy ounces of silver or about 19 million coins in the Morgan silver dollars. You state that we should be careful not to compete with existing silver programs currently underway at the mint. If you started the Morgan silver dollar program now, do you believe you could sell all of the coins?

Ms. BUCHANAN. Today? If we were to start it this year?

The CHAIRMAN. Yes.

Ms. BUCHANAN. Sir, I would say that they would be in direct competition with the Olympic coins. If their price was dramatically less than the Olympic coins, it would undermine our Olympic coin effort. In addition, the success of the Morgan silver dollar would be undermined by our Olympic coin marketing effort. So I think that one would hurt the other. Which one would be the most successful? It's hard to determine, but the 19 million coins would be extremely difficult to move in the market today.

The CHAIRMAN. If you started marketing the Morgan silver dollars after the George Washington and the Olympic commemoratives were sold, then what do you think the situation would be?

Ms. BUCHANAN. I feel that if no other commemorative coin were introduced in the meantime so that in 1985 we were looking at one commemorative coin, that being the Morgan, I think that the 19 million is high for a goal but I think it's in the range of reason. I think, as I pointed out, that 14 to 16 million coins would be far more reasonable, but 19 million is possible.

The CHAIRMAN. Can the mint produce the quantity of silver coins that are envisioned in S. 269 in the 3-year timeframe required by the bill?

Ms. BUCHANAN. If given the personnel, especially with respect to any improved coins, which takes a great deal of manhours, we would be able to produce the coins as proposed.

The **Chairman**. What about the American Gold Eagle added to that?

Ms. **Buchanan**. Yes, sir, especially if this bill were to change the date from 1984 to 1985, when we would not be producing the Olympic coin or the G.W. coin at the time so we could then transfer that work and those individuals and machines over to the new coins.

The **Chairman**. Thank you.

Mr. Johnson, you apparently survived the Joint Economic Committee.

Mr. **Johnson**. Yes, I made it.

The **Chairman**. We'll be very easy on you today and we'll be happy to hear your testimony.

STATEMENT OF MANUEL H. JOHNSON, ASSISTANT SECRETARY FOR ECONOMIC POLICY, U.S. DEPARTMENT OF THE TREASURY

Mr. **Johnson**. Thank you very much, Mr. Chairman. I do have a submitted version for the record but I will read a shorter prepared statement.

The **Chairman**. Your full statement will be placed in the record.

[The complete statement follows:]

FOR RELEASE UPON DELIVERY
EXPECTED AT 9:30 A.M.
FRIDAY, APRIL 15, 1983

STATEMENT OF MANUEL H. JOHNSON
ASSISTANT SECRETARY FOR ECONOMIC POLICY
BEFORE THE
COMMITTEE ON BANKING, HOUSING AND URBAN AFFAIRS
UNITED STATES SENATE
WASHINGTON, D. C.

Mr. Chairman and Members of the Committee:

Thank you very much for this opportunity to be with you today to present the views of the Treasury Department on S. 42, the American Gold Eagle Coin Act of 1983.

The bill before us today is similar to one I was asked to testify on during the last Congress before the House Sub-Committee on Consumer Affairs and Coinage. Both bills are related to the work of the Gold Commission, whose report was transmitted to the Congress on March 31, 1982. The Gold Commission was directed by the Congress to assess the role of gold in the domestic and international monetary systems, and to study U. S. policies related to gold.

Essentially, the bill provides for the minting of gold coins, which would recreate the opportunity for Americans to acquire and use gold coins minted by the United States Treasury. Recreating that opportunity is a logical follow-up to the rights restored by P.L. 93-373 to American citizens in 1974 to buy, sell, and own gold in any form and by P.L. 95-147 in 1977 allowing them to enter contracts specifying payment in gold. The U. S. Treasury did not have the authority to mint and issue gold coins for almost 50 years. The authority was re-established in 1982 with the passage of the Olympic Commemorative Coin Act, P. L. 97-220, which provided for limited issue of a specific gold coin. The bill we are considering this morning would authorize a general issue of gold coins which would satisfy public demand, both present and future, for an American gold coin.

The Treasury supports the basic elements of the American Gold Eagle Act even though it still contains some provisions which concern us. We agree the coins should be specified solely by weight, without any dollar face value, and the coins should be sold at the market value of their gold content plus a margin to cover the costs of minting and distribution. There is a demonstrated worldwide demand for coins sold under these conditions. These coins could be used by private citizens as a store of value and, where mutually acceptable, as a medium of exchange. The absence of Treasury obligation to buy and sell the coin at a specified price, however, avoids any implication that what is being attempted is the re-establishment of an official price of gold.

We also concur with issuing the coin without legal tender status. If the coins have legal tender status, private creditors would be compelled to accept them as payment for debts, and the Treasury as payment for tax liabilities. The fluctuating market value of gold would necessitate creation of a complex system for setting and announcing a fluctuating legal tender value on a continuous basis, with attendant formidable problems of operation. Instead the intent of the bill, as we interpret it, is to provide the private sector with an alternative and not to impose a dual money system on the economy.

The 1908 twenty dollar gold coin was among the most attractive and widely distributed gold coins ever minted by the United States. The use of the figure of Liberty from this coin, along with the great seal of the United States, is expected to enhance the popularity of the American Gold Eagle. The minting of two sizes containing one ounce and about one-half ounce of gold, equivalent to the old $20 and $10 gold coins, is also appropriate. For technical reasons, however, we would like to recommend slight changes in the language of section 402, (a), (b) and (c), specifying physical characteristics of the coin.

The proposed legislation calls for the American Eagle to be distributed not later than July 1 of next year. Members of the Committee are, no doubt, aware that under present legislation (P.L. 97-220 and P.L. 95-630), the Mint will be minting three different gold pieces in 1984 -- a $10 coin containing approximately one-half ounce of gold and commemorating the Olympics, and one ounce and one-half ounce gold medallions -- involving up to two million ounces of gold. Minting and distributing an additional 500,000 ounces or more in American gold "Eagles" and "Half Eagles" next year, as required in S. 42, would add to competition among these different gold pieces and strain the Mint's productive capacity. This can be avoided by delaying the issuance of the Eagles for at least six months until January 1, 1985, when the authority to produce the other U. S. gold pieces is due to expire. We would not wish to see either of the existing gold programs terminated prematurely, since that would needlessly disturb public expectations, as well as minting and distribution commitments.

Our preferred method of distributing the American Eagle coins is through dealers and through auctions. Provisions in the bill appear broad enough to provide Treasury with sufficient flexibility to utilize those channels as well as alternative distribution systems if that is deemed preferable.

The method of distributing the coins is likely to influence the precise method of establishing their price when sold by the Treasury. We believe that the pricing provisions, as proposed in Section 404, are unnecessarily restrictive. For example, selling through auctions will not be possible if prices must be based on a published formula and the previous day's 4:00 p.m. COMEX gold price. More important, though, the provisions could be costly to the Treasury if on a given day the market price were significantly in excess of the previous day's closing COMEX price, as has frequently been the case, creating opportunities for risk-free profits to those who purchase gold coins that day. We feel, therefore, that greater flexibility in pricing is needed to deal with rapid changes in gold prices. Accordingly, we propose that the price be determined by the Secretary of the Treasury, based on the current market price, with the frequency dictated by circumstances and the system of distributing the coins.

The most controversial issue associated with proposals for the issuance of American Eagles relates to their tax treatment. The issue was among the most complex confronted by the Gold Commission. In part, resolution of the tax issue was rendered more difficult by the diversity of reasons behind the large majority of the Commission in favor of providing a gold bullion coin. Several Commission members felt a gold coin should have the opportunity to develop as a circulating means of payment, some favored a coin to compete with foreign coins, like the krugerrand, some favored a greater role for gold in the monetary system, and some held no strong view of the function of the gold bullion coin.

Because of the lack of agreement over function, there was no agreement over the specific characteristics of such a coin; specifically, whether it should have legal tender status, should be minted in unlimited amounts, should be redeemable by the Treasury for dollars, or should be exempt from capital gains and sales taxation. The Commission finally adopted recommendations that the coin not have legal tender status, that the Treasury should mint the coins from existing gold stocks, subject to certain limits, and that they should be exempted from capital gains and sales taxes.

The arguments behind the legal tender and tax recommendation have two facets. One was a general view that the government should not be in a position of legally obligating people to accept payment in assets with fluctuating market value, which would be the case if the gold coins were given legal tender status. At the same time, however, it was argued that impediments to the use of the coins as a medium of exchange on a voluntary basis should be eliminated, and this led to the recommendation for tax exemption.

In his position as Chairman of the Commission, the Secretary of the Treasury supported these recommendations and the gold coin proposal in general. Still, some of the issues were not studied exhaustively by the Commission, and the ambivalance of its own recommendations indicates there remain a number of serious considerations which need to be explored more fully by the Congress.

The tax area, in particular, raises several difficult issues which may require further examination, and we welcome these hearings as a vital opportunity to provide the Congress with further information and analysis. If we are to provide gold coins which could be used as a medium of exchange by the American people, an argument in favor of exemption from taxation logically follows. The bill provides that gains or losses from the sale, exchange or other disposition of the coins authorized by the bill shall not be recognized as a capital gain or loss under any Federal, state or local income tax, and that any ownership, purchase or sale of such coins shall be exempted from Federal, state and local sales, personal property, and excise taxes. Thus, the bill incorporates the basic recommendation of the Gold Commission making transactions in such coins free from taxes and the Treasury Department strongly endorses the tax exemption for the American Eagle.

There are many sound economic arguments which could be made in favor of the Gold Commission's recommendation as reflected in the tax provisions of the bill before us. However, the policy on taxation raises a number of ancillary tax issues which remain unresolved and which need to be considered more explicitly.

Tax exemption of transactions in the American Eagle Gold Coins implies that all non-interest bearing claims on these coins -- certificates of deposit, warehouse receipts, and promissory notes -- should be accorded the same tax treatment as the coins themselves. If not, it would necessitate having the owners of such claims go through the totally meaningless motions of redeeming their claims in gold coins and proceeding with a tax-free exchange. There is no difficulty in interpreting what the bill implies for treatment of an exchange of gold coins for forms of property other than paper currency. Acquisition of such property would be subject to state and local taxes as if the payment were made in paper money. If a capital asset is acquired in an exchange for gold coins, the applicable tax basis would be the market value of the coins at the time of the acquisition. The initial dollar price at which the coins were purchased would be irrelevant for the determination of the tax basis for the asset. Interest received in gold coins would be taxed on a dollar value at the time of receipt and for tax purposes would, therefore, be treated analogously to income received in foreign currencies.

Although the bill does not explicitly provide for these results, we believe they are an accurate reading of the implications of the basic policy choice contained in the bill. However, the bill leaves unanswered questions about the appropriate tax treatment of interest bearing claims on gold coins (such as bonds or futures contracts payable in gold coins), the taxation of dealers in these coins, the determination of the appropriate tax bases for gold coins in estates and deferred gifts, or the tax treatment of exchanges of American Eagles for other gold coins or gold bullion.

The bill also sidesteps the question of tax treatment of bullion for coin swaps with the Treasury. We believe the bill should be explicit in denying tax exemptions for such swaps. Bullion tendered to the Treasury in exchange for coins should be considered for tax purposes as sold for dollars at the daily price used for pricing the coins, and the resulting capital gain or loss should enjoy no escape from taxation. If this is not done, the bill would have the effect of retroactively exempting from taxation all heretofore unrealized capital gains that have accrued to gold bullion owners. Apart from the revenue losses this would involve for the Treasury, we feel very strongly that such an outcome would be undesirable from the point of view of public policy.

The bill provides for purchasing American Eagles from the Treasury by payment in dollars as well as through an exchange of gold bullion and U. S. or foreign gold coins and medallions, which in turn could be used for the production of additional coins. On a technical level, we offer no objections to the latter method (Section 405), if the provision is desired by the Congress. We want to state, however, that we would wish to pass on to the purchaser additional expenses, such as melting, assaying, transportation, etc., depending on the specific form of gold tendered in exchange for American Eagles. We would plan to designate only a small number of Mint facilities to handle such exchanges.

The Treasury, of course, regards the U. S. gold stock as part of our national patrimony and of value as a precautionary asset. However, the proper size of the gold stock is the subject of a wide variety of views on which there was little agreement on the part of the Gold Commission. The members agreed that a "zero stock" is not the appropriate size, but that no particular level for the gold stock is necessarily "right." The Commission opposed auction sales which were intended to dispose of the Treasury holdings over some stated period of years but supported the view that the Treasury should retain the right to conduct transactions in gold bullion at its discretion, provided adequate levels are maintained for contingencies. It is in this spirit that we accept the need to specify some limit on the total amount of gold which shall be minted into coins.

The provision in the bill being considered by this Committee calling for the striking of at least five hundred thousand troy ounces of fine gold of coins in each of the weights authorized by the bill raises another issue. While we appreciate the intent of Congress to encourage the provision of adequate supplies during the first year of issue (an objective which we share), it is felt decisions concerning specific production rates should be left to the discretion of the Treasury, to be made with due consideration of the initial public demand and production constraints.

Turning to other aspects of the bill, we recognize the main thrust behind proposals for the introduction of a U. S. Gold Coin is to provide a form of money which people can hold and use as an alternative to money expressed in dollars. Undoubtedly, the experience with inflation in the United States and public dissatisfaction with the performance of fiat money as a reliable store of value have contributed to the feeling of a need for such a monetary asset. The government's monetary monopoly can be justified only if it is exercised prudently. In a sense, such a new form of money asset would provide a kind of thermometer to signal monetary authorities concerning the collective public judgment on how responsibly the government's monetary monopoly is being used. The Treasury would not look unfavorably upon a mechanism to perform this function.

The proposal to mint gold coins is not a move toward adoption of a gold standard. There would be no official price of gold, nor would the Treasury assume any commitment to convert privately or officially held dollars into gold bullion. There would be no connection between U. S. gold reserves and monetary policy. There could be, however, useful pressure on monetary discipline related to the amount of U. S. held bullion used for minting coins if the public were to treat these coins as an alternative medium of exchange in the event the government should ever reverse the current policy of restoring price stability. Establishing the pressure of such an indicator is, I believe, the intent and expectation of the proponents of this legislation.

The main point to be made is that the public's appraisal of the management and performance of the U. S. economy would largely determine the demand for gold coins. The effect of this demand on the U. S. gold stock is not predictable since the Secretary of the Treasury could, under existing authority, determine that the stock should be replenished through Treasury purchases. Moreover, even though there is an upper limit specified in the bill on the amount of United States gold to be minted, there is no assurance public demand will be as great as the supply allowed by the bill. It must be kept in mind that our stock presently totals 264 million fine troy ounces, equivalent in value at current market prices to around 113 billion dollars. By comparison, annual U. S. imports of gold coins currently average about three million ounces.

In conclusion, the proposed legislation calling for tax exempt U. S. Treasury minted gold bullion coins warrants our qualified support. There remain some issues which need further exploration in the tax area, and we would be pleased to provide the Committee with our written suggestions for a number of technical modifications in the bill. These hearings provide an excellent forum for full consideration of the basic thrust of the bill as well as the related technical issues, and the Treasury would be pleased to work closely with the Committee in resolving any remaining problems.

The **Chairman**. Mr. Johnson, in your testimony in the House and again today you talked about the importance of the tax exemption feature and you testified in the House that if that were dropped that the projects would be dropped.

Do you still feel that the tax feature is that important and without it that we simply should not even consider going ahead?

Mr. **Johnson**. Yes, Mr. Chairman, I really do. Without the tax exemption, the American Eagle becomes just another gold medallion. We already have a program in that area and we don't see the need for minting another medallion. Without the tax exemption feature which would provide some alternative form of exchange, I think Treasury could probably do without the coin.

The **Chairman**. Well, I would agree. I think the tax feature is highly, highly important to the success of the program.

I have no additional questions unless there are some from other members of the committee to be given to you in writing for your response for the record. So unless either of you have any further comments you would like to make, I have no additional questions for you. Thank you very much for coming.

The committee is adjourned.

[Whereupon, at 11:30 a.m., the hearing was adjourned.]

[Additional material supplied for the record follows:]

Response to Written Questions From Angela M. Buchanan, Treasurer of the United States

THE TREASURER OF THE UNITED STATES
WASHINGTON, D.C. 20220

MAY 10, 1983

Dear Mr. Chairman:

Thank you for your letter of April 22, 1983 requesting our response to your inquiries concerning S.42 and S.269. Our comments are as follows:

1. S.269 calls for minting up to 90 million troy ounces of stockpiled silver into silver bullion coins. A report from the General Accounting Office suggested that this method of disposing of the stockpiled silver may be preferable to other methods. However, the GAO cautioned that the success of a coinage program depends on public demand.

In your opinion, what is the market for silver bullion coins?

Answer: Silver coins in two series have been proposed. The first series of coins proposed by the legislation are one dollar "Morgan" design coins containing 0.7734 troy ounces of 0.900 fine silver. The proposed legislation sets aside 15 million ounces of silver for these coins, an amount which will provide approximately 19.5 million silver dollars. Mint experience indicates that with extensive marketing efforts, the sale of 19.5 million coins may be feasible. However, a projected demand of 12 to 16 million coins is far more realistic.

As for the 90 million ounces designated for the "Liberty" bullion coin in the second series, demand is difficult to predict without careful research. In order to establish a level of demand for this proposed coin which would contain one troy ounce of silver, it is necessary that research be done by an independent marketing organization to determine if a demand exists in this country for this coin, what the size of the demand is, and what an acceptable price would be. The Department recommends that such a study be undertaken prior to implementing this part of the legislation. In addition to the fact that this sale is a major undertaking, there is also no comparable coin on the market at the moment. Some of the factors which might affect market demand are: pricing, bullion market trends, timing, impact from coins already issued or soon to be issued by the U.S. Government, and competition from other nations and the private sector.

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2. S.269 calls for the production of 90 million troy ounces of silver into bullion coins. Does the Mint currently have the capacity to produce these coins? If the Mint does not have the capacity is there excess capacity in a private Mint in the U.S. that the Department of Treasury could contract out to? Would you oppose a plan to contract out all or part of the production of the coins described in S.269?

Answer: The Mint currently has the capacity to produce the anticipated quantities of coins in Uncirculated condition. If given personnel for producing coins in Proof condition, we can produce these coins in-house. We would strongly oppose any proposal that production of official coins or medals be contracted out.

3. What would you estimate the actual cost of minting to be of a proof Morgan dollar, and what are the components that make up that figure?

The components would be: the value of the bullion (at current market prices), cost of manufacturing, cost of blank fabrication, order processing, postage, and marketing expenses. The 50¢ George Washington commemorative proof half dollar now sells for $12.00. Considering that the Morgan dollar would have an extra 4/10th of an ounce of silver, one would estimate that a Morgan proof dollar would sell for about $17.00.

4a. Has the Mint ever offered a bulk sales discount in the past for coins sold to collectors?

Answer: The Mint has conducted bulk sales discount programs for the Uncirculated Bicentennial Coin Sets and is currently conducting a bulk rate discount program for the Proof George Washington Commemorative Half Dollar. Bulk rates will soon be offered for the Olympic Commemorative Coins.

b. What quantity of orders were received by the Mint for bulk sales over what period of time?

Answer: The Mint sales of the Uncirculated Bicentennial Coins in bulk quantities amounted to 2.6 million coins mainly over a four year period, from 1976 to 1979. Sales of the Proof George Washington Half Dollar in bulk quantities have amounted to 500,000 coins in the five month period from November 1982 to April 1983.

c. Were bulk sales an effective way to market Bicentennial sets?

Answer: Bulk sales orders are more cost effective to process and also to mail since the majority of coins were shipped in boxes of 50.

d. On what basis does the Treasury determine an appropriate discount for bulk sales?

Answer: The discount price for bulk sales is determined by reviewing the cost savings which accrue in order processing, packaging, and shipping large quantities versus orders of one or two coins. Because larger orders are less time intensive to process and less expensive to register than multiple small orders, the Mint's costs are reduced. Reasonable profit margins needed for private vendors are also taken into account.

5. A witness who testified supports S.269 with one reservation. He does not like the provision which would only permit coin and bullion dealers recognized by the Treasury to purchase the Morgan dollars and the silver bullion coins. Rather than having the government categorize and define coin dealers, he recommends that either regulations establish minimum purchases of the coins; or that the disposal of the coins be placed up for bid as Treasury has done with the medallion program.

Would you comment?

Answer: There are advantages and disadvantages to the provision in the bill that only recognized coin and bullion dealers be permitted to purchase the coins. From our experience with the gold medallion program, we have learned that acceptance of a new entry in the bullion market must be achieved by means of advertising and a commitment to make a two-way market (buy and sell). The latter commitment is a risky proposition that the government is not prepared to make, and it probably requires the granting of an exclusive marketing right to persuade a dealer to accept that risk. We would want the flexibility to enter into such contracts for exclusive or near exclusive marketing rights.

With regard to the numismatic coin, the type of marketing arrangement depends on the level of effort to be expended in marketing it. A marketing effort substantially beyond the Mint's normal numismatist mailing list would require arrangements with private marketers, or the transfer of additional resources to the Mint. Our experience has indicated that in any market, certain controls must be imposed to allow an orderly market to exist. The Secretary would want the authority to place restrictions on conditions of sale, and perhaps conditions on the parties with whom he would negotiate marketing rights. Accordingly, we would urge that the legislation indicate the type of marketing effort desired for sale of the product, and leave to the Secretary's discretion the means of achieving this.

6. Another argument made against the gold coin recommendation was that the coin would exacerbate the existing monetary confusion; and that labeling it a "coin" without "legal tender" status would be confusing because the term "coin" commonly implies legal tender status.

Would you respond to this argument?

Answer: You are correct that the word "coin" normally infers legal tender status. The Dictionary of Numismatic Terms, third edition, 1975, published by the American Numismatic Association, defines coins as:

> Usually a piece of metal, marked with a device, issued by a governing authority and intended to be used as money.

31 U.S.C. 5111 states that:

> United States coins... are legal tender for all debts...

The coins that S.269 authorizes would be an exception to section 5111. As such, it could be confusing although we are not able to state with any assurance whether this would constitute a problem.

Sincerely,

Angela M. Buchanan

Angela M. Buchanan
Treasurer of the United States

The Honorable
Jake Garn, Chairman
Committee on Banking, Housing
 and Urban Affairs
Washington, DC 20510

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Statement of Arthur J. Costamagna

on

S42 - American Gold Coin Bill

Chairman and Members of the Senate Banking Committee:

As a member of the United States Gold Commission, I wish to express to you my support for the legislation to provide for the minting of an American Gold Eagle coin.

This bill is reflective of the recommendation of a substantial majority of the members of the Commission. Throughout the deliberations of the Commission many reasons were given for the support of this gold coin, and those reasons are part of the Report of the Commission, previously submitted to Congress in 1982.

In my opinion, there is one overriding reason for the passage of this legislation and the minting of an American Gold Eagle coin. That reason is:

> THE MINTING, AVAILABILITY, AND CIRCULATION
> OF AN AMERICAN GOLD EAGLE COIN WILL RESTORE
> CONFIDENCE IN PAPER MONEY.

I do not believe any further link to gold is necessary other than to allow Americans the right to buy American Gold Eagles when and how they wish. Once they have the right to do this, it will not be necessary for them to buy foreign gold coins to protect themselves against further debasement (inflation) of the currency. Instead, Americans will then be able to purchase American gold coins at their discretion. When this right is restored, few will find it necessary to do so, and hence confidence in paper money will return.

Sometimes the most difficult problems are solved with a very innocuous idea. This, I believe, is one of those times.

Thank you for this opportunity to present my opinion in support of S42.

Respectfully submitted,

Arthur J. Costamagna

tjt
4/11/83

STATEMENT OF GARY STURTRIDGE, PRESIDENT OF THE PROFESSIONAL NUMISMATISTS GUILD INC., BEFORE THE SENATE COMMITTEE ON BANKING, FINANCE AND URBAN AFFAIRS ON S. 42 AND S. 269, AT A HEARING HELD IN WASHINGTON, D.C. ON APRIL 15, 1983.

Chairman Garn, Mr. Proxmire, distinguished members of the Senate Committee on Banking Finance and Urban Affairs, my name is Gary Sturtridge, of Tonganoxie, Kansas, and I am the President of the Professional Numismatists Guild Incorporated, (PNG) a not-for-profit trade organization comprised of over 200 members located in cities and small towns across the United States.

The PNG is an organization whose membership represents the cream of the numismatic profession, all professional dealers, many of whom have had vast experience in the field of coin and bullion sales and who have never hesitated to respond to requests when called upon for advice from the government.

For example, in 1964, when Congress debated the means by which a major part of silver dollars found in the Treasury Department could be disposed of, the founding president of the PNG, the late Abe Kosoff, was invited to testify to offer the analysis of the PNG with respect to the best means by which the dollars could be disposed of.

Our organization time and time again, has lent its wait and its opinion, to matters vitally that effect us. We are delighted to be here today to offer our support to two bills with a worthwhile purpose - S. 42. and S. 269.

We applaud the basic numismatic goals behind S. 42 and S. 269, and believe that the legislation would have a major impact not only among collectors, but, if merchandised properly,among non-collectors and investors alike.

Examining both of these bills, and speaking in numismatic parlance, the Helms bill would create legal tender American gold coins denominated by weight, rather than by exact value. It would compete with the South African Krugerrand, the Canadian Maple Leaf, and even some popularly traded more traditional issues that also have numismatic value in addition to their content.

Senator McClure's proposal would, in effect, create an equivalent to a silver Krugerrand, in addition to authorizing the reissuance after 62 years of the Morgan-design silver dollar, probably one of the most popular coins collected in America today.

I do not believe that it is a secret that over the past dozen years, the sale of bullion coins has increasingly become an important part of the coin market. I would venture to say that the sale of Krugerrands, Canadian Maple Leafs, and other coins sold largely on the basis of their gold weight is a significant part of the total dollar volume of sales by members of the Professional Numismatists Guild and it is equally apparent that buyers have been on the rise.

It was not too many years ago that one ounce silver bars attained such a popularity among collectors (who are obviously seeking to purchase silver rather than rarity) that newspaper advertisements in the trade journals proliferated.

Given the fact that both bills propose the sale of these pieces at the equivalent of a wholesale price, and of the Morgan silver dollars in bulk sale discounts, it would seem as if the nation's professional numismatists would become a ready marketing force that the government could tap.

One of the problems, however, which I think ought to be addressed by this committee is what constitutes a bulk sale and what discount is appropriate. Discounts are not uncommon, and have been utilized by the Bureau of the Mint in the past in selling its various numismatic products. For example, during the bicentennial celebration, purchases of 50 sets or more by any individual (including non-dealers) constituted a "bulk" sale by the Mint and were thus entitled to the discount.

With the George Washington commemorative coin program, the Mint also offered discounts, though not of a substantial nature. The discounts proposed for the Olympic coin program are simply a long way from making economic sense if the government expects dealers to make a substantial capital investment.

The reason for this, Mr. Chairman, is the nature of the coin market, and also the nature of the manner in which coin dealers buy and sell their wares.

When you consider, for example, supplies ordinarily purchased by a dealer in the course of his business, he usually is able to acquire it at least 40% off of the retail price, and sometimes as high as 50%. Wholesalers, typically, buy at between 55% and 60% off the price.

It is true, on a coin purchase and sale, that a lesser percentage is utilized. On a higher priced rare coin, it is not impossible for a coin to change hands for a $500 or $1,000 increment over cost, which is impressive in dollars, but is actually perhaps 20% or less of a margin to work with.

Quite frankly, on smaller ticket items, the percentage by its very nature has to be higher. On an item which a professional numismatists sells for $12, for example, the average buying prices in the area of $8. This constitutes a mark-up of 50%.

To be sure, on some items such as proof sets the margin is substantially closer, but there is only so much risk exposure that any dealer is going to be willing to take.

I gather from reading the second section of the bill that the Secretary of the Treasury is going to be directed to selln the coins to the public at large (and, presumably, to the collectors whose names appear on the Mint mailing list) as well as to dealers at a price not less than 75% above the base price for proof issues, and at 50% above the base price on circulated issues. The base price being defined as the fair market value of the silver content of the coins , plus the cost of minting. (There is a cap, of course, of 10% of the fair market value of the coins silver content in arriving at this).

It would appear that the Treasury Secretary is required to sell the coins in bulk on a negotiated basis in such a manner as to permit a bulk sale purchaser to compete with the Mint, i.e. to make a profit on coins being used. If bulk purchasers are given a discount to reflect the lower cost of fulfilling their orders, this will be possible.

By way of a simple example, the silver market on April 4, 1983 was at $10.96 an ounce. The maximum base price that the silver dollar would be calculated upon would be $12.06, consisting of the $10.96 plus a maximum of $1.10 for the cost of minting and distribution. A proof specimen therefore, would be sold by the Mint at a price not less than $21.10, that representing 75% over the base price, while the uncirculated pieces could be sold for minimum price of $18.08, using the 50% mark-up also calculated under the terms of the Act.

This does seem, verbally, a bit confusing, but the accompanying chart seems to set it forth fairly easily, at least based upon our general counsel's understanding of the text of the bill.

ITEM	AMOUNT
Price of Silver	$10.96
Minting Surcharge Maximum	1.10
Base Price	12.06
Maximum Proof Surcharge (75%)	9.04
Maximum Unc. Surcharge (50%)	6.03
Minimum Proof/Price	21.10
Minimum Unc. Price	18.09

It is my opinion that if bulk purchasers of substantial quantities (say 50 to 100 pieces are given a price break designed to reflect the lower costs of fulfilling bulk orders. The margin might be sufficient to justify dealer participation. The common costs in which lower costs are associated include lower postage (bulk registry, not individual) a probable savings of $3.00 per coin on the average, handling and expenses.

If, for example, the proofs were sold sat $35.00 retail and a bulk discount of 25%; on an uncirculated piece retailing at $25, the same 25% would have a decline price of $18.75. The discounts are reasonable given the quantity and the retail price likewise is resonable.

I to not believe that there is something quite problematical about the Mint offering coins at one price to the general public and simultaneously offering coins at a substantial discount to a bulk purchaser.

I think, this has happened before, when the U.S. Mint sold bicentennial proof and uncirculated sets that were being offered from the Mint at fixed prices, to individual purchasers and at bulk sales discounts.

This brings us to one minor problem in the legislation, namely the provision calling for sales to "numismatic coin dealers and retailers" which it seems to me is trying to license coin dealers in a rather unusual way.

The members of the Professional Numismatists Guild Incorporated, themselves, by and large would not be effected by this, but we think that it is our duty to speak out on behalf of thousands of "vest pocket" dealers who permeate our industry, our bourse tables, and are our customers as well as occasional competitors.

It seems to me that at any time an individual is willing to purchase in bulk quantities sufficient to justify a discount, even if it is one on a sliding scale, that the Secretary of the Treasury (or any marketer) ought to be able to sell to them.

An entirely different problem is apparent with respect to the silver Liberty design one ounce silver coins. There, a reasonable interpretation of the bulk sales provisions would appear to say that at least 25 ounces of silver would have to be set as a minimum for a bulk sale to take place, though apparently the Treasury Secretary would have discretion to make a minimum purchase of 100 pieces of bulk sale. This appears at face value to be a reasonable figure, but what appears unreasonable is leaving it to the Secretary of the Treasury to define the term "primary dealer in bullion coins" since I think it is publicly fair to say that virtually all members of the Professional Numismatists Guild have, in the course of the past three or four years, sold sizeable quantities of silver coinage, and certainly purchased vast quantities of silver coinage and scrap as well.

Further, there appears to be a question with respect to an individual having the necessary financial resources and expertise to effect a distribution. This not something that the government ought to be regulating, but rather something the industry is capable, through the market itself, of regulating. Unless the bill suggests that purchases would be made for other than cash (which is not our of it) if an individual has the resources to acquire the silver bullion coins, certainly that individual should have the right to acquire them.

The only reasonable limitation that the Professional Numismatists Guild can support is one which requires certain minimum bulk quantities to be purchased by an individual or firm seeking to acquire the pieces.

It is perhaps also worthy of note that that portion seeking to allow the coins to be sold at the fair market price plus the cost of minting (not to exceed 10% of the fair market value) conceivably could cause a significant marketing problem with respect to this coin's other competition, because here discounts are not really being offered, rather bullion is being sold in coin form.

With respect to the underlying provisions of Senator Helms' bill, S. 42, the PNG supports the reissuance of eagles and half-eagles, coins which would have their denomination expressed in weight rather than in dollars, as well as the design, which is a variation on the St. Gaudens double eagle produced by the United States between 1908 and 1933, on the obverse, and a major change on the reverse (using The Great Seal of the United States.

Previously, at hearings held last year in the House on similar legislation, some objection was raised with respect to the denomination, calling it an eagle and a half-eagle. The thought related back to the fact that there were other eagles and double eagles, quarter eagles and half-eagles produced in an earlier time. This is not really an objection of substance, since the name appears to be more descriptive of the reverse than of any earlier coin. Besides, these coins are called the American Gold Eagle, not a double eagle or simply an eagle.

It also seems entirely appropriate to allow the exchange of bullion for these coins, less a surcharge equal to the cost of undertaking the conversion. This is not unlike the "free coinage" of silver which existed prior to passage of the Coinage Act of 1873, and indeed would truly make gold convertible into currency. Likewise, it makes sense, we believe, to remove the capital gain derived on any sale or exchange of other disposition of any coin authorized by this title.

The counsel for the PNG, David L. Ganz, has suggested however that with respect to Section 405(a), dealing with exchange of bullion for coins, that it be made clear that either in the text of the bill itself, or in its legislative history, that if gold bullion or foreign coinage is deposited for conversion into the gold eagle or half eagle that it, to, be exempt from capital gain or loss under any federal, state or local income tax. The alternative, it would appear, would be to requires a persons converting a Krugerrand, for example into an American Gold Eagle to pay capital gains tax, or to permit them to accrue a loss. We do not believe that this is the intent of the Committee.

We appreciate the opportunity to offer testimony before you and do hope that if there are any questions that you will not hesitate to inquire of us.

The Professional Numismatists Guild Incorporated stands ready to assist this Committee, and the Congress in any respect concerning this coinage matters.

I thank you for the opportunity of appearing before you today and would welcome any questions that the chair might now have.

Thank you.

THE UNION FORK AND HOE COMPANY

P.O. BOX 1940 500 DUBLIN AVENUE COLUMBUS, OHIO 43216 PHONE (614) 228-1791

Please address correspondence to P. O. Box 586
Berryville, VA 22611

[illegible]
[illegible]

April 7, 1983

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

The Honorable Jake Garn
United States Senate
Washington, DC 20510

Dear Senator Garn:

Thank you for notifying me by telephone of the April 15, 1983 hearings on the minting of gold Eagle coins. Unfortunately this comes on a day which I have been engaged and it can not be postponed.

However, there are several points that I feel should be included in the agenda of the hearings because neither the Treasury nor the Federal Reserve System have been willing to prove beyond a reasonable doubt that:

(a) The Treasury has the gold it claims by conducting an external, independent, physical inventory and genuine assay; and

(b) Whatever gold is disclosed by an external, independent, physical inventory and genuine assay belongs not to the U. S. government, but wholly or in part to the Federal Reserve System.

My 14 years of research and correspondence with government officials (both elected and appointed); the Board of Governors and the 12 regional bank presidents of the Federal Reserve System; and my attendance at all of the public hearings of the Gold Policy Commission **entitles me to insist** that my letter to Congressman J. Kenneth Robinson, dated April 6, 1982 (including the supporting documents, i.e., Mr. Robert Weintraub's letter to Congressman J. Kenneth Robinson dated March 4, 1982 and my letter to all members of the Gold Policy Commission dated February 4, 1982), copy enclosed, **be included in the summary of the hearings to be held on the minting of the gold Eagle coins on April 15, 1983; and a copy of that letter given to all of the attendees with the cost of such reproduction for the attendees billed to the writer.**

Your acknowledgement of this request is respectfully requested.

Sincerely,

Edward Durell
an individual

ED/ks
Enc.
cc: The Hon. William Proxmire, The Hon. Fernand St. Germain, The Hon. Chalmers Wylie, The Hon. J. Kenneth Robinson, The Hon. Ron Paul and Mr. Robert Weintraub

MILTON VALLEY FARM
P. O. BOX 586
BERRYVILLE, VIRGINIA
22611

April 6, 1982

The Honorable J. Kenneth Robinson
U. S. House of Representatives
Washington, DC 20515

Dear Kenneth:

This letter is in reference to

(a) The testimony of Robert Weintraub, Senior Economist of the Joint Economic Committee of Congress, before the Gold Policy Commission on October 26, 1981 in which he stated, "...gold certificates are assets of the twelve Federal Reserve Banks. At the end of 1980, the Federal Reserve held $11.161 billion of gold certificates representing title to 264.353 million ounces of gold at the current legal or official bookkeeping value of $42.22 per ounce." (Emphasis mine, E.D.)

(b) Mr. Weintraub's conference with you, your staff and me in your office on March 8, 1982 in which Mr. Weintraub tried to convince me that his statement of October 26, 1981 was in error and that the U. S. Treasury had title to whatever gold was allegedly warehoused by the Treasury.

I am sending a copy of this letter to Mr. Weintraub because I feel that if he reversed his opinion as to the ownership of the gold that he should so advise all the members of the Gold Policy Commission. May I respectfully suggest that you request him to do so?

In view of the importance to the nation as to who presently has title to the alleged gold stock which was turned over to the Treasury when President Roosevelt nationalized the gold in 1933 and for which the Treasury gave the Board of Governors of the Federal Reserve System gold certificates (actually warehouse receipts), I feel it obligatory to present my interpretation of the situation.

(1) I understand that the original gold certificates issued by the Treasury were in ounces, not in dollars, payable to the order of the Board of Governors of the Federal Reserve System.

(2) A Treasury news release of December 9, 1974 announced that the Treasury bought the Exchange Stabilization Fund's gold (2,020,264 ounces) and further stated that:

> "Gold certificates were then issued by the Treasury to the Federal Reserve Banks for all the ounces of gold held in the General Account for which such certificates had not previously been issued, and the Banks deposited $191 million to the accounts of the Treasury."

(3) The 12 regional Federal Reserve Banks carry on the asset side of their balance sheets under the heading, "Gold certificate account," large sums of money representing ounces of gold presently quoted at $42.22 per ounce (the last official rate set by the U. S. government). From the correspondence I have had with the various presidents and chairmen of these regional banks, these officials believe that this item on their ledgers is collateralized by gold in the hands of the Treasury; however, they have not taken the necessary steps to make certain that this gold is available or is of the correct weight and fineness. Footnote 5 of the 1979 Report of the Secretary of the Treasury (shown on page 36 of my pamphlet "Mr. President, Where Is Our Gold?") states:

"Consists of: Gold certificates outside of the Treasury (issues prior to Series of 1934 are included through 1961), and credits with the Treasury of the United States payable to the Board of Governors, Federal Reserve System, in gold certificates. *These obligations are fully secured by gold in the Treasury*." (Emphasis mine, E.D.)

You will recall that I tried several times to get Mr. Weintraub to read that footnote in full, and he avoided that last sentence.

(4) In Mr. Weintraub's letter to you of March 4, 1982, please see the paragraphs numbered (2) and (5). How can both of these paragraphs be correct? My American College Dictionary (published by Random House) defines legal title as "...a unity combining all of the requisites to complete legal ownership." How can Mr. Weintraub say that the Federal Reserve has a right to the market price / in effect, the last "official" price rate/ of the alleged gold stock while the Treasury has a right to the remainder of the market price above the "official" price rate?

(5) In a letter to me from Russell Munk, Assistant General Counsel, Department of the Treasury, dated January 11, 1982, he closes with the following statement:

"Gold certificates have been issued to the Federal Reserve System against the gold stock at $42.22 per ounce of gold (31 U.S.C. 405b, 441, and 449). The certificates represent Federal Reserve claims on the Treasury, *payable by the Treasury in dollars, but not Federal Reserve ownership of the gold*." (Emphasis mine, E.D.)

Note that no legal basis has been given for this exchange, i.e., of paper money for gold. If Congress did so legislate it, it had no authority to take such action affecting a *private* corporation such as the Federal Reserve System. The intent of the 1934 Gold Reserve Act purporting to give Treasury title to the gold was subsequently circumvented by Treasury giving a warehouse receipt in the form of a gold certificate. As the late Congressman Louis T. McFadden said on the floor of Congress on Thursday, May 4, 1933:

"Mister Chairman: A gold certificate is a warehouse receipt for gold in the Treasury, and a man who has a gold certificate is the actual owner of a corresponding amount of gold stored in the Treasury and subject to his order. As Charles N. Fowler, a former Member of this House, said when he was Chairman of the House Banking and Currency Committee, 'A gold certificate is its own redeemer.'" (page 352, Collective Speeches of the Honorable Louis T. McFadden, as compiled from The Congressional Record, Omni Publications, Hawthorne, California 90250, 1970 Library of Congress Catalog Card No. 75-135049.)

In other words, the real intent of the Gold Reserve Act of 1934 was to give legal title to the Federal Reserve System, and the U. S. Treasury would be nothing more than its physical custodian. This is so because Congress had no constitutional authority to take gold from a private corporation such as the Federal Reserve System, for Congress had abrogated its jurisdiction over the Federal Reserve System when it was created by Congress in 1913. Whether the creation of the Federal Reserve System by Congress in 1913 or the delegation of its monetary policy to a private corporation was constitutional is another matter.

(6) In a letter to me from Michael Bradfield, General Counsel, Board of Governors, Federal Reserve System, dated October 16, 1981, he states that:

"...you ask who has possession of the gold certificates issued by the Treasury to Federal Reserve Banks. These are, in fact, book accounts in the accounts of the United States Treasury."

Again, there is no legal authority cited that gave the Treasury the right to eliminate the gold certificates and resort to book entries in lieu thereof. It is submitted that the only way the gold certificates could be cancelled or redeemed would be to turn over the gold to the Federal Reserve System Board of Governors.

I think from the above and from my letter to the Gold Policy Commission dated February 4, 1982 (copy enclosed), you will understand why I was not convinced by Mr. Weintraub that "there wasn't any real fancy bookkeeping going on" in an attempt to make me and the rest of the world believe that the U. S. has an alleged gold stock when, in reality, the Federal Reserve System has title to whatever remains of the alleged gold stock.

It is my understanding that the General Accounting Office (GAO), which is recognized as an investigative arm of Congress, renders legal opinions when called upon by

Congress or when the GAO is involved in checking the use and application of federal funds or financial statements related thereto of agencies of the federal government; in this case, the U. S. Treasury Department. (See, Budget & Accounting Act of 1921, as amended; Title 31 U.S.C. 2, et. seq.,)

Am I correct that you, as a Congressman, have the authority to request such a legal opinion regarding title of the alleged gold stock? If so, would you please institute such a request.

Sincerely,

Edward Durell ks

Edward Durell

ED/ks

Enc.

cc: Robert Weintraub

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March 4, 1982

The Honorable J. Kenneth Robinson
U.S. House of Representatives
2233 Rayburn House Office Building
Washington, D.C. 20515

Dear Congressman Robinson:

This is in response to your letter of January 26, 1982 on the question of who "owns" the gold warehoused by Treasury.

1. I am not a lawyer, so I cannot render a "legal" opinion.
2. At year end 1981, Federal Reserve Banks held as assets, gold certificates representing title to 264.14 million ounces, valued at $42.22 an ounce, or $11.152 billion in total. (See Exhibit 2, attached.)
3. The Federal Reserve paid for the gold certificates by giving Treasury deposits which were spent long ago.
4. In recent times, Treasury has sold some of the gold it warehouses. It sells at the market price, which in recent years has far exceeded $42.22 an ounce. For each ounce sold, it used $42.22 of the sales proceeds to redeem a gold certificate or share thereof, representing one ounce.
5. I infer from this evidence that the Federal Reserve Banks have rights to the first $42.22 of the market value of each ounce of gold warehoused by the Treasury. This does not mean they own any part of the warehoused gold or could force Treasury to sell it, but only that if Treasury sells any part of the gold, the Federal Reserve banks will get $42.22 of the proceeds per ounce sold.
6. Treasury's lawyers might view all ounces of gold being warehoused as assets and the certificates as liabilities. In this sense, they could say Treasury "owns" all of the warehoused gold. Once again, I am not a lawyer so I can not settle the ownership question. However, it is clear to me that if the gold is sold, Treasury must redeem the certificates. Hence, the net worth of the gold to Treasury is really (and clearly) equal to its market value less the value of the certificates the Federal Reserve Banks hold.

7. Finally, the ownership question is further complicated by the fact that the liquidation value of the Federal Reserve Banks would accrue to Treasury in the event of liquidation. So maybe the ownership issue is meaningless. (See Exhibit 2.)

Sincerely,

Robert E. Weintraub

Robert E. Weintraub
Senior Economist

REW:jm

P.S. Looking forward to our meeting on Monday.

NOTE: THIS LETTER INDIVIDUALLY ADDRESSED TO ALL MEMBERS OF GOLD POLICY COMMISSION.

THE UNION FORK AND HOE COMPANY
P.O. BOX 1940 500 DUBLIN AVENUE, COLUMBUS, OHIO 43216 PHONE (614) 228-1791

EDWARD DURELL
CHAIRMAN OF THE BOARD

February 4, 1982

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

The Honorable Donald T. Regan
Secretary of Treasury
Washington, D.C. 20220

Dear Secretary Regan:

In view of the fact that Ralph Korp, Director, Office of International Monetary Affairs, Department of the Treasury, has requested in writing that all parties who testified in one way or another before the Gold Policy Commission submit a two-page condensation of their testimony to be incorporated in the appendix to the report that the Commission will submit to Congress by March 31, 1982, I feel it is desirable that the enclosed letter to Mr. Robert Black, President of the Federal Reserve Bank of Richmond, dated January 28, 1982, be furnished to you as it sets forth in some detail the evidence that the Federal Reserve System has title to whatever gold is presently warehoused by the U. S. Treasury, which was once evidenced by gold certificates expressed in ounces, but now reportedly by "book accounts" in the accounts of the U. S. Treasury.

I respectfully request that the Gold Policy Commission authorize and finance a trusted and capable member of its staff to examine my voluminous evidence and determine what should be made part of the Commission's records before such is submitted for printing. I think you will agree that it is inconceivable that a gold commission could actually be formed and a gold policy seriously discussed without it first being absolutely certain that our nation's gold is still intact and whether the Federal Reserve System or the U. S. Treasury has title to whatever remains of the once huge gold stock.

Sincerely,

Edward Durell

As an individual

ED/ts

Encl.

UNION
THE UNION FORK AND HOE COMPANY
P.O. BOX 1940 500 DUBLIN AVENUE, COLUMBUS, OHIO 43216 PHONE (614) 228-1791

EDWARD DURELL
CHAIRMAN OF THE BOARD

January 28, 1982

Mr. Robert P. Black, President
Federal Reserve Bank of Richmond
P. O. Box 27622
Richmond, VA 23261

Dear Mr. Black:

I have delayed answering your letter of November 12, 1981 in the hope that I would receive a letter from someone in the Federal Reserve System and/or the U. S. Treasury proving, with citations,

(a) Which entity, the Federal Reserve System or the U. S. Treasury, has title to whatever physical gold is found to exist by an independent inventory and genuine assay; and

(b) Which of the two entities is responsible for the physical gold allegedly warehoused by the Treasury, described on the Treasury's financial statement as a liability along with the footnote:

> "[5] Consists of: Gold certificates outside of the Treasury (issues prior to Series of 1934 are included through 1961), and credits with the Treasury of the United States payable to the Board of Governors, Federal Reserve System, in gold certificates . These obligations are fully secured by gold in the Treasury."

There is only one hoard of gold, but by the conflicting evidence set forth below, it would appear that both the Federal Reserve System and the U. S. Treasury claim it. How a duly authorized court of law would determine the ownership, I do not know, but I believe it would be awarded to the Federal Reserve System because whoever keeps the books for the Treasury carries the gold as a liability on its financial statement.

(1) Proof of ownership by the U. S. Government.

(a) Letter from former Secretary of the Treasury, William Simon, to Congressman J. K. Robinson dated 11/4/74 which shows 276 million ounces of gold in nine locations as "Monetary Gold Stock of the United States."

(b) Letter from Jerry Nisenson, Deputy Director of Gold Market Activities, Dept. of Treasury, to Mr. L. Hendricks dated 3/13/81 stating, "As of January 31, the U. S. gold stock amounted to 264.3 million fine troy ounces."

(c) Letter from P. D. Ring, Advisor, Federal Reserve System Board of Governors, to Edward Durell dated 6/4/81 stating, "Section 2 of the Gold Reserve Act... makes clear that the gold stock belongs to the United States Government."

(d) Treasury News Release dated 12/11/81 contains a tally showing that as of November 1981 there were 264.1 million Troy ounces of gold on hand listed as U. S. gold stock.

(e) Letter from Russell Munk, Assistant General Counsel, Dept. of Treasury, to Edward Durell dated 1/11/82 stating, "Title to the United States gold stock is indeed vested in the United States, and the Dept. of the Treasury is accountable for the United States gold stock (31 U.S.C. 441 and 734)."

(2) Proof of ownership by the Federal Reserve System.

(a) The financial statements of condition of the Federal Reserve System and the regional Federal Reserve Banks show as an asset under the heading "Gold certificate account" huge sums of money (figured at the official gold price of $42.22 per Troy ounce).

(b) On page 3 of the order form for the 1981 Gold Medallion program is the statement: "Profits from the sales, in excess of $42.22 per ounce, will be used to retire gold certificates held by the Federal Reserve Banks. The remaining profits will be deposited in the general fund of the Department of the Treasury."

(c) Robert Weintraub, Senior Economist of the Joint (House-Senate) Economic Committee, stated in testimony before the Gold Policy Commission on 11/12/81 when referring to the gold certificates that, "For the record, gold certificates are assets of the twelve Federal Reserve Banks. At the end of 1980, the Federal Reserve held $11.61 billion of gold certificates representing title to 264.353 million ounces of gold at the current legal or official bookkeeping value of $42.22 per ounce."

Since the Treasury states it pays the Federal Reserve System $42.22 for each ounce of gold used in the Gold Medallion program sales, it would seem that the Treasury recognizes that title to the gold is in the Federal Reserve System.

Moreover, former Secretary of the Treasury, William Simon, testified before Congress under oath to this effect when he said that title to the gold was in the Federal Reserve System because the transfer of gold under Section 2 of the Gold Reserve Act of 1934, as amended, constituted a pledge. (Hearings before the Subcommittee on International Finance, House of Representatives, on HR 17475 dated December 3, 1974)

Since it is a pledge and not a sale, your bank is primarily responsible for the gold collateralizing the "Gold certificate account"; otherwise why call it a gold certificate account?

On the other hand, I don't see how you can carry as an asset on your bank's statement a "Gold certificate account" when Mr. Michael Bradfield, General Counsel of the Federal Reserve System Board of Governors, in a letter to me dated October 16, 1981, states that, "These (gold certificates) are, in fact, book accounts in the accounts of the United States Treasury."

Don't you think it is the duty of your bank which affords the perception to the public that gold is a part of your assets, to make certain that the gold, allegedly warehoused by the Treasury, is of the proper weight and fineness? From the correspondence I have had from you and the other Federal Reserve Bank presidents, it looks as though you and the others are willing to take the Treasury's word for it. My investigation spanning more than seven years indicates beyond a reasonable doubt that

(a) There has not been an independent, external inventory and genuine assay of the gold allegedly held at any of the Treasury's depositories or by the Treasury's agents. As for the so-called "continuing audit" of the alleged gold, suffice it to say that there is no "continuing audit" or inventory taking place nor is there an "audit" or inventory taking place which any reputable accounting firm would accept as being reliable.

(b) The weight of the gold bullion bars varies from an average of 317 to 411 Troy ounces, the number of bars in a melt varies, and the fineness of the gold varies from melt to melt.

(c) Gold which remains at the New York Assay Office is now in the process of being moved to the West Point Depository. The movement of gold was started in November 1981 and it should be completed next month, under order of the Secretary of the Treasury dated November 16, 1981. The settlement committee which examined the New York Assay Office recently found a loss of some 3, 163 ounces of gold in the Refining Section of the plant, and also 162 ounces were missing from the Cash Division of the Bullion Transfer Branch. Is this one reason why Mr. Regan ordered the transfer of gold to

> the West Point Depository? For the past six months or so the New York Assay Office Prescious Metals Refinery has been closed. Moreover, since the remaining gold is being transferred to West Point, it seems to me that the Treasury has missed another fine opportunity to have a real inventory.

In view of the above and since all the depositors in any bank have now been tied into the Federal Reserve System, don't you think we depositors have a right to insist that the Federal Reserve System demand and get an external, independent, physical inventory and genuine assay of the nation's alleged gold reserves?

Sincerely,

Edward Durell

Edward Durell
As an Individual

ED/ks

cc: Michael Bradfield, General Counsel
FEDERAL RESERVE SYSTEM BOARD OF GOVERNORS

All Chairmen and/or Presidents of the 12 regional Federal Reserve Banks

and other interested parties.

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON, D. C. 2055

PAUL A. VOLCKER
CHAIRMAN

May 6, 1983

The Honorable Jake Garn
Chairman
Committee on Banking, Housing,
  and Urban Affairs
United States Senate
Washington, D. C. 20510

Dear Chairman Garn:

I am pleased to submit comments on S. 42, which would provide for minting of U.S. gold coins. I find the bill before you acceptable in most respects, but I believe the tax provisions should be eliminated.

The bill follows closely the provisions of the Gold Commission's recommendation favoring minting of a gold coin of specified weights and without dollar denomination. If a gold coin is to be minted, these features would be desirable in that they would avoid any suggestion that the United States is prepared to attempt fixing the price of gold again.

The Commission also recommended that the coin have no legal-tender status. This feature would prevent the confusion and inefficiency that would otherwise develop from establishment of a dual system of legal tenders whose relative value would fluctuate. Section 402(g) of the bill provides, however, only that the coins not have status as legal tender for public payments. Thus the coins could come to be conferred with legal-tender status for private transactions, arousing the confusion and inefficiency that the bill seeks to avoid.

In most respects, the coins to be minted under S. 42 are undifferentiated from the U.S. medallions now being minted from the nation's gold stock and sold through a private distribution network. I see no difficulties in principle with replacing the medallion program at its expiration with a similar coin scheme. Some Commission members and many other people have suggested that some potential buyers would more readily accept a coin in contrast to a medallion. Duplication of the medallion program by a simultaneous coin offering, however, would seem unnecessarily burdensome to the Mint, wasteful, and confusing to the public.

The chief difference between the current medallions and the proposed coins, besides design, is tax treatment. I have serious reservations about the proposed exemption of the coins from specified taxes, particularly capital-gains taxes. This feature of the bill parallels a provision of the Commission recommendation about which my three colleagues on the Federal Reserve Board who served on the Gold Commission expressed their strong misgivings during deliberations and in the Commission report. The main argument advanced in support of the tax exemption was the view that it would improve the feasibility of the coins' use on a voluntary basis among private parties as a medium of exchange.

In light of current and prospective gold prices, gold coins of one-half and one ounce weights are unlikely ever again to be widely used as hand-to-hand circulating currency. The current bullion value of such coins would be over $200 and $400 respectively. Nonetheless, private transactors might come to make more widespread use than heretofore of their right under current law to denominate certain contractual obligations in gold. U.S. gold coins if available might sometimes be used to discharge such obligations, in conjunction with other forms of gold such as U.S. medallions, foreign coins, and bullion. In most cases, however, settlement would probably be made for convenience by more conventional payment means in an amount determined by reference to a market gold price.

It is doubtful that the proposed tax exemptions for a coin issue would greatly improve the attractiveness of the coins as a medium of exchange, although the effect of taxation on the attractiveness of assets as means of payment is by no means clear. Certain recent financial innovations, such as NOW accounts, have become widely accepted as means of payment with no special tax treatment. Since tax exemption for the proposed coins would likely lead to suggestions of additional tax exemptions for other assets, with obvious effects on Treasury revenues, the Congress may wish to move cautiously in this area at least until the relevant relationships are better understood.

A more easily predictable implication of the introduction of tax-exempt gold coins is that investors holding or planning to hold gold in portfolios could substitute the tax-exempt coin for taxable forms of gold. Furthermore, the coins' unique tax exemption might lead some investors not otherwise planning to hold gold to substitute the coins for part of their positions in other, taxable assets, such as equities and corporate and government bonds. The rise in yields on conventional assets that would be associated with such shifts would not be especially welcome.

A coin with features as provided in S. 42 could be expected to trade in a secondary market at a premium reflecting its tax advantages. The magnitude of the premium would depend in part on the volume of the coin issue, which would be limited in early years by Mint capacity. (The ultimate volume of the coin issue would of course be limited to 10 million ounces of the existing 264-million gold stock, but a larger volume of coins might well be demanded by those who, under section 405(a), transform their existing, taxable bullion and foreign-coin holdings into tax-exempt U.S. coins.) The Treasury would cover its minting and related expenses in pricing the coin under the bill's provisions, while the initial coinholders — those acquiring the coins directly from the Treasury — would in effect collect the tax-related premium. These benefits would thus accrue mainly to the distribution system provided for in section 403 and those who avail themselves of the bullion and foreign-coin exchange provisions mentioned above.

I also note a technical inconsistency in section 405 that might give rise to unintended consequences. While holders of both bullion and foreign gold coins are permitted to exchange them at the Mint for U.S. gold coins at bullion parity less expenses, only the bullion received by the Mint is eligible for use in minting the U.S. coins. In tandem with the 10-million ounce limit on use of the existing U.S. gold stock for coins, this provision could require the Treasury to purchase in the market additional amounts of bullion from which to mint U.S. coins if sizeable amounts of foreign coins are deposited pursuant to section 405(a). As noted above, the differing tax treatment proposed for U.S. and foreign coins considerably enhances the prospects for such exchanges.

In sum, I have no fundamental objections to the minting of a denominationless U.S. gold coin without legal-tender status. I do, however, see serious distortionary problems in the coin's tax-exempt status, which would be accorded to only one of the many assets available to the public.

Sincerely,

Paul A Volcker

Statement by Carroll Jones
Commissioner, Federal Property Resources Service
General Services Administration
for the
Senate Committee on Banking, Housing and Urban Affairs
April 15, 1983

Mr. Chairman and members of the Committee, I am Carroll Jones, Commissioner of the Federal Property Resources Service in the General Services Administration (GSA). On behalf of the Administrator, Mr. Gerald Carmen, I wish to thank you for the opportunity to present this agency's views concerning S. 269.

This bill would provide for the minting of two series of coins from the excess silver inventory of the National Defense Stockpile. One coin would contain less than one ounce of silver, and would be targeted to the public directly or indirectly through the numismatic trade. The second coin would contain one troy ounce and would not be sold to the public directly. The Secretary of Treasury would administer the coin disposal for a period of three years (1984-86). The price of the coins would be set at the value of the silver content on the day prior to sale, plus the administrative expenses. The "administrative" portion of the price would be credited to the mint appropriations fund, and the silver portion to the National Defense Stockpile Transaction Fund.

As manager of the National Defense Stockpile, the responsibilities of GSA include both the acquisition of materials needed for the stockpile and the disposal of excess materials. The Strategic and Critical Materials Stock Piling Act mandates that the stockpile contain materials sufficient to support the defense needs of this country for a three year period. In restructuring the stockpile, GSA faces an enormous task. To meet current stockpile goals, GSA must acquire more than $10 billion in materials. The only source of funds to pay for these acquisitions is from the sale of excess materials, the proceeds of which are deposited in the National Defense Stockpile Transaction Fund. Because silver is the most valuable of the excess materials, the method of its disposal is of critical importance to the future of the stockpile program.

The Omnibus Budget Reconciliation Act of 1981 (P.L. 97-35) authorized GSA to dispose of 105 million ounces of excess stockpile silver over a three year period. GSA commenced sales in October 1981. We believe these auctions, through which approximately 2 million ounces of silver were sold, were conducted prudently and with full regard to the Stock Piling Act requirements to avoid undue disruption of markets. However, an amendment to the Defense Appropriation Act (P.L. 97-114) stopped further disposal of silver until a report is submitted to Congress detailing both the status of silver in the stockpile and the proposed method of disposal. A further limitation was placed on the disposal of silver by the Joint Continuing Resolution for Fiscal Year 1983 (P.L. 97-377), which prohibits silver sales in excess of 10 percent of the prior year's domestic silver ore production.

Since the termination of GSA's silver sales, the flow of funds into the Transaction Fund has seriously slowed. Although S. 269 represents a method to bring funds into the Transaction Fund, we are concerned that the disposal of silver by minting and selling coins may complicate further an already difficult situation:

1. The length of time to begin coin sales. The program envisioned by S. 269 would be a major undertaking. The Treasury Department would be faced with the development of sophisticated marketing procedures, design and minting

issues, and the actual sales of millions of coins. Even under the best conditions, it appears unlikely that the time table of S. 269, which contemplates sales during calendar years 1984, 1985 and 1986, could be met.

2. The expense of coin sales. To mint and market over a million coins is not only time consuming, but expensive. Although the price of the coins is to include an amount above the value of the silver, it is questionable whether the full administrative costs would actually be covered. The Stockpile cannot afford to dispose of its assets at a discount.

3. The uncertainty of coin sales. GSA defers to the Treasury Department concerning the ability of the market to absorb the vast number of coins that would be minted under S. 269. As the agency which sold the Government's hoards of Carson City silver dollars, however, we are well aware that coin markets are, at best, unpredictable. An unexpected fluctuation in the coin market could leave the Government with millions of unsellable silver coins.

GSA's prime concern with silver, as with all excess stockpile commodities, is that it be sold quickly, efficiently, without undue market disruption, and at a price which brings the maximum return to the Government. As serious questions remain on the time necessary to commence coin sales, the timing and amount of payment to GSA, the administrative expense to conduct such sales and the concommitant uncertainty of the market to absorb domestic coin sales, we believe no action should be taken on S. 269 at the present time.

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